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Contents.

Professional Notes.

A COMPANIES BILL has been introduced into the House of Representatives of New Zealand. It is stated to be framed largely on the lines of the English Act, with alterations to meet local conditions.

A Bill to amend the Unemployment Insurance Acts is being prepared for introduction into the House of Commons soon after Parliament re-assembles on November 7th. The intention is that after its first reading the Bill will be printed and circulated, but will not be carried further before the close of the Session, thus giving time for its contents to be carefully examined and criticised. The Bill will then be re-introduced in the new Session, and the second reading will be taken as soon as possible. It will have for its main object the placing of the Insurance Fund on a sound financial basis, and it is understood that the intention is to bring within the scope of the insurance scheme workers engaged in industries which at present are non-insurable.

At the annual meeting of the Law Society a paper was read by Mr. H. Nevil Smart on "The Solicitors Act, 1933, and the proposed Rules Thereunder." The wording of the draft rules is causing a good deal of concern in the legal profession, and several points emerged in the course of the discussion on the paper. The most important one had relation to the separate accounts required to be kept for moneys belonging to solicitors themselves and moneys belonging to clients. It transpired that some solicitors had the impression that a separate banking account would have to be kept for each client, but it was generally agreed that this was not the intention, and also that if the draft rules left any doubt on the point they would have to be altered.

Another matter presenting more difficulty was whether there would be any objection to the splitting of a cheque by instructing the bank to credit that part which represented costs to the solicitor's own account and the remainder to the client's account. The author of the paper went somewhat further and said he thought it would be desirable to amend the rules so as to enable a solicitor to draw money which represented a liability of the client to the solicitor as distinguished from a debt represented by a delivered bill of costs. He explained that a solicitor might do much work and be entitled to payment on account of costs, although he had not delivered a bill of costs.

Mr. Smart also said that the position would have to be made clear with regard to money

received by solicitors who were agents for insurance companies and money received by them as stake-holders. The whole aim of the Act, in his view, was to provide that a solicitor should keep in a separate account or accounts all moneys which could not be regarded as his own, and that he should never use one client's money for the purpose of another without the express permission of the client whose money it was proposed to use.

For the purpose of the audit of the accounts of a County Treasurer in the Province of Ontario, Canada, auditors were appointed who were not professional accountants, and after some years defalcations came to light which they had failed to discover. An action was brought against the auditors in the course of which it appeared that a falsified bank book had been produced for their inspection which showed a balance agreeing with the cash book, but which was $60,000 in excess of the real balance.

In the Judge's view, if the defendants had added up the different items in the debit and credit columns of the bank book or had compared the items in the cash book with the items in the bank book, the defalcations would have been discovered. He considered that while the auditors were somewhat lax in the performance of their duty, their laxity did not amount to negligence, and that, while their obligation was to perform their duty in a reasonable, skilful and careful manner, yet their limited experience as auditors should be taken into account in determining the degree of skill that should be expected of them. The result was that the action was dismissed, the defendants being allowed only three-quarters of their costs. An appeal from this judgment was heard by five Judges of the Court of Appeal for Ontario, and was dismissed with costs, two of the Judges dissenting.

The important aspect of this case is that the Court took into consideration the limited experience of the auditors, which in effect means that if a municipality chooses to appoint auditors who are not properly qualified, they do so at their own risk. As one of the Judges of the Court of Appeal remarked, the County Council "got about the sort of audit for which they paid; they were about equal." The moral is that auditors should be selected for their competence and not for the smallness of their fee.

At the annual dinner of the Institute of Cost and Works Accountants, held last month, Prince George, who was the guest of honour, in proposing the toast of the Institute, said that our high standard of integrity in commerce and finance had remained unimpaired throughout the long period of economic depression from which we were now emerging, and that the factors which had contributed to this were to be found in the stability of our financial institutions, and also in the high order of service rendered by the accountancy and allied professions. The accountant, he said, had done much to promote a high degree of integrity in business life and in doing so had contributed in no small measure to the financial reputation which our country had secured in the eyes of the world.

New tables of mortality are being issued under the auspices of the Institute of Actuaries and the Faculty of Actuaries. The tables are based on the experience of British Life Assurance offices for the six years up to the end of 1929. Whilst these tables will be valuable for general reference, most of the insurance companies compile records of mortality from their own experience, and this experience must differ in proportion to the standard which is applied in the classification of risks, some companies being more exacting in this respect than others. There is no doubt that the rate of mortality has been decreasing, and for some time past premium rates have been adjusted accordingly. At the same time in fixing these rates it has been necessary to take into account the substantial fall in the rate of interest derived from investments.

A peculiar point, relating to the liability to Income Tax of income earned abroad, came before the Court recently in the case of *Hall* v. *Marians*. The wife of an English resident owned a share in a business in Colombo. Out of her share of the profits of that business she purchased in Colombo certain Indian bonds, and on the security of these bonds she obtained an overdraft from the London office of her Colombo bank. Subsequently this overdraft was transferred to the Colombo branch and liquidated by the sale of a portion of the Indian bonds.

The point of the case was whether any money had been received in this country so as to be liable to assessment, or as Mr. Justice Finlay put it—"had the debt gone to meet the money or the money to meet the debt?" In order to

attract assessment under Rule 2, Case V of Schedule D, it is necessary to show a receipt of income in this country, and it will be observed that there was no actual remittance from abroad, the London overdraft being transferred to Colombo and extinguished there—in other words, the debt went to meet the money and not the money to meet the debt. Judgment was accordingly given in favour of the taxpayer. There seem to be considerable possibilities of avoiding tax by obtaining overdrafts and liquidating them in this way.

Another interesting question was decided in the case of *Heastie* v. *Veitch & Co.*, respecting the relation between a firm and one of the partners. The firm occupied premises which belonged to the senior partner and arranged to allow him a fixed sum as rent, which it was admitted was a reasonable figure. The firm in preparing their Income Tax return charged the rent as an expense in their Profit and Loss Account, but the Inspector of Taxes refused to admit the debit and claimed that only the Schedule A assessment on the property, which was a considerably smaller figure, should be allowed. Had the rent been paid to an outside party, it is quite clear that it would have been an admissible deduction. The Inspector of Taxes contended that the rent was not a genuine disbursement of the partnership as a whole, but was in fact a division of the profits between the partners, and pointed out that the position was similar to that of a salaried partner drawing his salary before the balance of the profits was divided, in which case the salary was not a deduction in arriving at the firm's assessment.

The basis of the Inland Revenue's contention was that "a disbursement of A. to B. is not a disbursement of A. and B." Mr. Justice Finlay accepted the Crown's view, pointing out that the rent could not be claimed as a disbursement, seeing that it was a payment by two partners to one of them, instead of to a third and outside party. Had the amount of the rent been an excessive figure no exception could have been taken to the decision, but, as the rent was agreed to be a reasonable one, the result is to penalise the firm because one of the partners happens to be the landlord of the premises which they occupy.

Can a valid sur-tax assessment be made on income which has not been received? This was the point at issue in the recent case of *Lambe* v. *Commissioners of Inland Revenue.* The appellant had made advances to a firm from time to time on the security of certain china clay works in Cornwall, and had duly received the interest up to September, 1929, after which nothing was received in respect of either interest or principal. The Inland Revenue authorities, however, sought to include the interest due for the year 1930-31 as part of the appellant's total income for that year. When the matter came before the Special Commissioners, they held that this was correct and confirmed the assessment to sur-tax, which was made accordingly. At the same time it was stated that the tax in respect of the interest would not be collected until the interest was received. The appellant was not satisfied and appealed.

The case then came before Mr. Justice Finlay, when it was submitted on behalf of the Inland Revenue that sect. 39 (2) of the Finance Act, 1927, had the effect of extending the basis of liability to sur-tax. His Lordship, after reviewing a number of decided cases which had been cited, rejected this claim and held that the section was merely a consequential provision necessary as the result of the change from super-tax to sur-tax. He pointed out that the Commissioners had no power to make contingent assessments; they could only confirm, discharge or modify assessments. No assessment could be made until the income was received, when it would be assessable for the year in which it became due.

An interesting point was decided recently in the case of *Re Russ and Brown's Contract.* Certain properties were put up for auction, subject to the National Conditions of Sale, and also subject to special conditions including one that the title was to commence with the leases under which the properties were held. The properties were bid for and sold, but the purchaser claimed to repudiate the contract on finding that the properties were held on sub-leases and not on head leases, as he had expected. For the vendors it was contended that the objection was covered by paragraph 6 of the National Conditions, but Mr. Justice Clauson held that as the properties were described in the particulars of sale as "leasehold," the contract was not satisfied by the tender of an underlease, and his decision has now been confirmed by the Court of Appeal.

Upon the death of a shareholder in a public company it is usual, especially in the case of the larger companies, for a notice to be sent to the executors of the deceased asking them to have the shares transferred into their own names,

but it is not often that the notice is in such a peremptory form as that which has been issued recently by a well known company. The notice referred to gives a quotation from one of the company's Articles to the effect that where any person entitled to a share by transmission shall shall not have become a registered holder thereof or transferred the same within three months after receiving notice from the board to do so, the share may at any time after the expiration of that period be forfeited by resolution of the board.

Having regard to the provisions of sect. 64 of the Companies Act, 1929, it seems very doubtful whether such an Article could be enforced. The section in question states that "a transfer of the share or other interest of a deceased member of a company made by his personal representative shall, although the personal representative is not himself a member of the company, be as valid as if he had been such a member at the time of the execution of the instrument of transfer." It will be observed that the section mentions no date within which the transfer is to take place, and it is difficult to see how any company can legally impose a three months limit.

In connection with the affairs of the Malayan and General Trust, Ltd., a resolution was passed by the company in general meeting that it was desirable to reconstruct the company with an assessment on the shares, but no liquidator was appointed until some weeks later, when another meeting was held. Sect. 234 (3) of the Companies Act, 1929, requires that dissent by any member who has not voted in favour of the resolution must be given in writing addressed to the liquidator and left at the registered office of the company within seven days after the passing of the resolution. A correspondent of the *Financial Times* complains that although he gave notice of dissent immediately after the second meeting, he was informed by the company's solicitors that his notice was not valid, as it was not given within seven days of the passing of the resolution to re-construct the company. The correspondent explains that he could not address a liquidator before he was appointed, but it would appear that his notice of dissent could have been validly given immediately after the first meeting by addressing it to "the Liquidator" and leaving it at the company's registered office. The notice would then apply to the liquidator when appointed whoever he might be. This is supported by the decision of Mr. Justice Tomlin in *Needham's* case in the year 1923.

"DISCOVERY" IN RELATION TO INCOME TAX.

It frequently becomes necessary for a Court of Law to examine very closely into the meaning of a word in common use, for legal consequences of a grave nature may depend upon it. Thus the word "discovers," which occurs in sects. 125 and 140 of the Income Tax Act, 1918, has been judicially interpreted. Sect. 125 of the Act provides that additional first assessments may be made "if the surveyor discovers" the following:—

(i) That properties or profits chargeable to tax have been omitted from the first assessments; or

(ii) That a person chargeable has failed to deliver a statement, or a full and proper statement, or has not been assessed to tax, or has been undercharged in the first statement; or

(iii) A person has obtained an allowance, deduction, exemption or relief to which he is not really entitled.

An additional first assessment may be made within three years of the expiration of the year of assessment. This time-limit is, however, subject to variation; thus, the Finance Act, 1923, altered it to six years, although three years after the year of assessment in which the deceased died is the limit fixed in the case of executors and administrators.

Further, by sect. 140 of the 1918 Act, it is provided that a person who "discovers" omissions or incorrect statements in a statement or schedule delivered by him may escape liability to proceedings in respect of such omissions or errors by delivering an additional statement or schedule to rectify the omissions or errors.

The definitions of the word "discover" upon which so much of import to the Revenue Authorities on the one hand, and to the taxpayer on the other, turns as set forth in the Oxford New English Dictionary include the following:—(1) To bring into fuller knowledge; (2) to find out, for the first time, something which previously was unknown; (3) to disclose something which was unknown; (4) to divulge a secret; (5) to expose to view that which was previously not seen, or was covered up or hidden away; (6) to disclose, to uncover, or to lay bare.

One of the best known cases where this expression "discovers" has been considered in the Courts is *Rex* v. *Kensington Income Tax Commissioners* (1913). There the taxpayer challenged the surveyor, who was proposing to make an additional first assessment, to procure

legal proof of the " discovery " which he claimed to have made. The surveyor had formed the view that the taxpayer ought to have returned for the year 1907 profits in respect of foreign possessions, viz, profits derived from a partnership firm carrying on business in Bolivia. That partnership, and profits accruing therefrom to the taxpayer, had been traced backwards by the surveyor; because he became cognisant of the existence in 1909 of a company operating in Bolivia which in 1906 had taken over the assets and goodwill of the partnership firm in question, in consideration of the allotment of a substantial shareholding in the company. Since that shareholding was valuable, the surveyor had drawn the inference that the partnership assets for which it had been given in exchange must also have been valuable. The expression " if the surveyor discovers " is to be found in statutes prior to the 1918 Act, and in this case the provisions contained in the Taxes Management Act, 1880, and the Finance Act, 1907, were the relevant statutory authorities.

Each of the three Judges (Avory, Bray and Lush) who sat in the King's Bench Division to consider the issue raised by this taxpayer set forth in detail his views of the meanings to be attached to " discovers," and the following points emerge from their interpretations :—

The word " discovers " means " finds out " or " satisfies himself." A surveyor is not restricted with regard to a first assessment, and it is not reasonable, therefore, to suppose that the statute intended to restrict him with regard to an additional first assessment. If the surveyor has " reason to believe," that is sufficient authority for him to act. If his " reason to believe " proves to be unsound the taxpayer is not without remedy or protection, for he may appeal against an assessment which the Commissioners may have made pursuant to the belief formed by the surveyor that the taxpayer's own returns were incorrect. The very nature of income tax, and the system of collecting it after assessments have been duly made and adjudicated upon, introduce inevitably these elements of trust, doubt, inspection and conjecture. The representatives of the state in whom is vested the duty of gathering in the tax must act as " detectives," in the interests of all taxpayers—who suffer by the evasions and errors of any amongst them. The work of detection must involve " discovery "; at least, such is its purpose; and detectives may " discover " in a variety of ways and varying circumstances. When the machinery devised for the collection of the income tax is considered, the conclusion is irresistible that " discovery " so far as the surveyor is concerned, must mean " arrives at a view " from such information as is available to him, either from his own inspection or examination or from such other sources as may be open to him from time to time. It cannot mean " ascertains by an inquiry in the nature of a legal inquiry," *i.e.* ascertainment by legal proof, for judicial investigation is not the function of the surveyor. If it were, the Legislature would have conferred upon the surveyor judicial powers. Thus he would have been vested with authority to subject the taxpayer to cross-examination upon oath, or to examine his employees under similar conditions, or to call for duly verified particulars from the taxpayer of his profits and gains. The function of the surveyor, in fact, is to assist the Commissioners to utilise, in a proper case, the machinery for the making of additional assessments. He is the basis and foundation upon which rests the system not merely of assessments and additional assessments, but also the giving of evidence upon oath in due course by the taxpayer, and the taxpayer's subsequent right to challenge conclusions drawn against him in the Courts of Law. The surveyor is, in this aspect, an administrative officer whose efforts are directed to assist the various judicial bodies which, in due course, " sit upon " the taxpayer's case. The surveyor, then, has no power to " discover " the taxpayer's profits by a process of legal proof; therefore, he can be under no duty so to do; and the contention of the taxpayer in this case, accordingly, could not prevail.

The Lord Chief Justice (Lord Reading) considered the above dicta in *Rex* v. *Bloomsbury Income Tax Commissioners* (1915) and approved them. In that case the surveyor made " discoveries " from the record of court proceedings which had taken place in the United States of America; those proceedings were taken before the Court of Chancery in New Jersey and were in connection with the dissolution of the partnership of Messrs. Hooper & Jackson, who had been responsible for the publication of the *Encyclopædia Britannica*. Very useful information for the purposes of assessments to English tax was " discovered " from facts which came out in the course of those proceedings.

The quality of " discovery," therefore, is not strained; it is twice blessed, for it may be a boon to the taxation authorities or to the taxpayer; and it may fall " like the gentle dew from Heaven " almost from anywhere; its quality is thus, in many respects, akin to that of mercy, and the addition of mercy to the other ingredients of income tax will scarcely be regarded as superfluous.

TAXATION OF REGISTERED COMPANIES IN GERMANY

(A.G. and G.m.b.H.)

[CONTRIBUTED.]

TAXATION in Germany is an extremely complicated subject and causes considerable difficulty to English speaking accountants who have professional associations there. At the present time Germany is constituted by a confederation of 17 States, and to meet the calls of the public services three main taxes are levied by the Reich on Aktiengesellschaften (A.G.'s), and Gesellschaften mit Beschraenkter Haftung (G.m.b.H.'s) registered within its borders. They are the "Turnover Tax" ("Umsatzsteuer"), "Corporation Income Tax" ("Koerperschaftsteuer"), and "Net Worth Tax" ("Vermoegensteuer"). In addition to these taxes certain minor ones are levied and others are payable to the various States. The most important of the latter are the "Tax on Trade" ("Gewerbesteuer"), "Tax on Land Values" ("Grundsteuer"), and "Tax on Landlords" ("Hauszinssteuer"). The taxes levied by the States are increased by supplementary levies of the municipalities. The authority which is responsible for the assessment and collection of taxes of the Reich is the Reichfinanzministerium (The Reich Treasury) followed by 26 Landesfinanzaemter (the State Treasuries), which latter are sub-divided into about 1,000 Finanzaempter (the Municipal Treasuries).

For some years past Germany has employed a considerable number of qualified accountants to examine the books and accounts of companies throughout the country, with the object of verifying the correctness of the tax returns made. Upon completion of their work the auditors are required to render a report of their examination to the Finanzministerium and to the local Finanzamt.

As in England, the company assessable is obliged to make a declaration of its income, after which it receives an assessment, and is then granted one month in which to lodge an appeal to the head of the Finanzamt, with the further right to appeal to the Landesfinanzamt, and (on questions of law only) to the Reichfinanzhof (High Court). In the event of the income of a company not being declared within the prescribed time, a fine amounting to 10 per cent. of the tax payable will be levied, and overdue payments of tax subjected to interest at the rate of 5 per cent. per annum. Further, if it can be proved that there has been a deliberate concealment of a portion of income, a fine of unlimited amount, with or without imprisonment of the official responsible, may be imposed.

The following is a brief consideration of the main taxes :—

Turnover Tax (Umsatzsteuer).—From the revenue producing point of view this tax is the most important of all ; it is a tax on transactions, and is not confined solely to sales, but is leviable on services rendered and disposals of businesses, &c. It is not a tax on profits, but on cash received. The procedure regarding the assessment to and collection of Umsatzsteuer is not difficult to comprehend, there being two methods by which a company may be assessed : (*a*) according to sales made, or services rendered, and (*b*) according to the amount of cash received during a stated period. Even if a transaction is carried out at a loss, Umsatzsteuer is nevertheless payable. Generally speaking, although there are several exceptions to this rule, it is only when the turnover arises in Germany that Umsatzsteuer is payable. The Reich has prepared two schedules "I.A." and "I.B." of articles which are exempted from this tax ; the former consists of certain articles imported and subsequently sold in Europe, and the latter is composed mainly of foodstuffs. The concession applies only to the first sale after importation. A very important exemption from Umsatzsteuer arises in the wholesale trade, and is termed the "privilege of the intermediary," or "Zwischenhandelsprivileg." This section of the law relating to Umsatzsteuer is very complicated, and many legal decisions have been given in regard thereto. Exports are not liable to "Umsatzsteuer," and if it can be proved that they have been subjected thereto the tax may be recovered. Furthermore, since January 1st, 1932, an "export credit," amounting to ·5 per cent. of the net invoice price, has been conceded in an effort to liven up the country's exports. Dealings by banks and stock brokers are also immune from Turnover Tax, as are deliveries to hospitals, transactions of insurance companies, lotteries and horse racing. Sales of Real Estate are exempt, but become the subject of another tax. It is also interesting to note that when a company owns a controlling interest in another, sales by the parent company to that company and *vice versa* (and sales between the subsidiaries) are not liable to this tax. "Umsatzsteuer," which is payable monthly, in respect of the preceding month, at present stands at 2 per cent. At the end of the financial year of a company, a declaration of turnover in respect of the whole year must be made to the authorities, and subsequently an assessment is made and may be appealed against through the ordinary channels. Where tax is paid on the amount received, then in the company's accounts, at the end of the financial year, a reserve should be made for the turnover tax due in respect of the cash received during the last month, and the tax due on the taxable debtors' accounts outstanding.

Corporation Income Tax (Koerperschaftsteuer).

The best translation of this tax is Corporation Income Tax, as it is the nearest approach to the income tax which is payable by companies in this country. In order to arrive at the assessable profits to Koerperschaftsteuer it is necessary to prepare a "Balance Sheet for Tax Purposes" (Steuerbilanz), wherein the items are stated at values attributable to them for Koerperschaftsteuer purposes. "Koerperschaftsteuer" accrues over the same financial year as adopted by the company, and the assessable profit must be declared within two months after the expiration of the financial year, unless an extension of time has been granted. In the event of a company making continual losses, *e.g.*, in the case of a German

subsidiary of a foreign owned company, where the profit is made abroad, the tax authorities often assess it upon its assumed profits, which are computed by ascertaining 6 per cent. of the net worth of the company, and calculating tax at the appropriate rate thereon, which, in the case of a company having a net worth in excess of R.M. 50,000 would be at 20 per cent. Prepayments of Corporation Income Tax must be made quarterly, on April 10th, July 10th, October 10th, and January 10th, each payment being in respect of the quarter ending on the last day of the month preceding the payment. Assets and liabilities are to be valued according to prescribed rules. Fixed assets must be included at their cost of acquisition, and are to be depreciated over their probable life and, although no scale of rates has been sanctioned, a claim in respect of obsolescence may be ultimately preferred. Current assets must be valued at the lower of cost or market prices, but, generally speaking, the Revenue Authorities will not query the values placed on these assets by the officials of the company if the basis of calculation is consistent with that of previous years. Current liabilities may be stated at their full face value, the remarks regarding current assets being applicable in this case, too. As with income tax in this country, certain charges in the profit and loss account prepared for the purpose of this tax will have to be written back in order to arrive at the correct liability. Such charges would include those not wholly connected with the business together with charitable subscriptions, &c. In a similar manner "Vermoegensteuer" and "Koerperschaftsteuer" paid, and reserves created in respect thereof, are considered as appropriations of the profit, and these, together with fees paid to the board of supervision, must also be written back. On the other hand, the law provides that free reserves which have been taken to profit and loss account, and dividends received from a company in which the company assessable has at least a 25 per cent. holding, may be deducted from the profit shown on the profit and loss account submitted to the authorities, together with any losses incurred during the two previous years.

Net Worth Tax (Vermoegensteuer).—In order to ascertain liability to Vermoegensteuer it is necessary, except in the case of very small companies, to prepare a statement of affairs as at January 1st of a particular year. This date is called the "Hauptfeststellungszeitpunkt," and it is followed by a "Hauptfeststellungszeitraum" of usually three years, and referred to by English speaking accountants as the "fiscal period." Immediately after the commencement of a fiscal period, negotiations may be entered into with the Revenue Authorities, but the tax payable will be constant over the ensuing three years. On the inception of a company, its Vermoegen is represented by its paid-up capital, and assuming it were formed on January 1st, Vermoegensteuer will be payable on that capital. At December 31st of the same year, if a profit had been earned, the Vermoegen would consist of the paid-up capital, together with free reserves created and profit not distributed. Vermoegensteuer is payable as follows:—

	Rate payable.
Where the Net Worth does not exceed R.M.20,000	Nil
Where the Net Worth exceeds R.M.20,000 but does not exceed R.M.30,000 ..	·3% p.a.
Where the Net Worth exceeds R.M.30,000 but does not exceed R.M.50,000 ..	·4% p.a.
Where the Net Worth exceeds R.M.50,000	·5% p.a.

The tax is payable quarterly in advance on 15th February, May, August and November of each year, and is based on the most recent assessment available.

The rules as to the valuation of the assets for the purpose of arriving at the net worth, are set forth in a separate statute, called the "Reichsbewertungsgesetz"; the following denotes the procedure adopted in regard to the valuation of the more important items on the balance sheet:—

As to land and buildings the local authorities are consulted and by reference to rentals received from similar property in the neighbourhood an estimate is made of the average annual rentals applicable to the property assessable. From this a figure representing the value is arrived at by multiplying the annual rental by a coefficient (from 15 to 20) according to the market rate of interest. Machinery has to be valued at cost of acquisition, less depreciation. Stock on hand has to be valued at the lower of cost or market value, after writing back any reserves created, for the purpose of reducing the stock to a figure below its true value. Debtors should be stated at their face value, after deducting debts subsequently proved to be irrecoverable. Investments if listed (and in German companies) have to be valued at one half of the list prices; if not listed the Revenue Authorities endeavour to fix an "equitable value" of the shares, after taking into consideration the future earning capacity of the company whose shares are held as an investment. The treatment of liabilities is also the subject of certain definite rules, but, generally speaking, it may be said that current liabilities and specific reserves may be deducted in full in arriving at the net worth.

Amongst the minor taxes which an A.G. or G.m.b.H. is obliged to pay, the following, which are governed by a separate statute ("Kapitalverkehrsteuergesetz") or "Law relating to the taxation of dealings on the capital market," may be instanced:—

"*Gesellschaftsteuer.*"—This is payable at 4 per cent. on the paid-up capital of a company, and on any increase thereof.

"*Wertpapieresteuer.*"—The tax varies from ·5 per cent. to 4 per cent. and is payable on the issue of debentures and on the first sale of foreign shares.

"*Boersenumsatzsteuer.*"—This tax is levied in respect of sales of securities, debentures and foreign money; the rate varies from .01 per cent. to ·3 per cent. according to whether the business is for own

account or on commission, and whether State loans, debentures, or shares in public companies.

With the termination of Reparations payments the " Additional Net Worth Tax " or " Aufbringungsteuer," as originally imposed, has been abolished. In the case of those companies whose net worth was in excess of R.M.20,000 the tax was levied until 1932, but from January 1st, 1933, it is payable only by companies whose net worth exceeds R.M.500,000. The yield is used to assist agriculture, especially in East Prussia, and to afford credit to small and medium sized manufacturing companies.

State and Municipal Taxes.—A portion of the taxes levied by the Reich is allotted to the states and municipalities. The basis of apportionment, which has always been contested by the recipients, is laid down in the " Finanzausgleichgesetz," or " Law relating to the apportionment of taxes." In addition to the amounts received from the Reich, the states and municipalities are permitted to levy certain other taxes, called " Realsteuern." They are payable in respect of the ownership of land or property and on manufacturing sites. The method of assessment and the rate of tax vary with the state or municipality interested. " Realsteuern " are levied irrespective of the personal circumstances of the taxpayer, and it is therefore not possible to deduct any mortgages or charges on the property when computing, for instance, the liability to " Tax on Land Values " (" Grundsteuer "), which is payable at R.M.2.00 for each R.M.10,000 of value. In a similar manner, when ascertaining liability to another of the " Realsteuern," viz " Tax on Trade " (" Gewerbe-Ertragsteuer ") which is one of the three sub-divisions of " Gewerbesteuer," loan interest and rent must be added back to the profit in the accounts prepared for the purpose of the tax. In Prussia, companies are obliged to pay " Gewerbe-Ertragsteuer," and either " Gewerbe-Kapitalsteuer," a tax on capital, or " Lohnsummensteuer," a tax on salaries and wages paid. The rates of these taxes are not constant. With " Gewerbertragsteuer " they are as follows :—

On the first R.M.1500 of profit	..	·5%
On the next R.M.1200 of profit	..	1%
On the next R.M.1200 of profit	..	1½%
On balance of profit	.. ..	2%

In the case of " Gewerbekapitalsteuer," a minimum of ·05 per cent. on the first R.M.12,000 of capital and ·066 per cent. of the remainder becomes payable. " Lohnsummensteuer " is levied at 1·56 per cent. of the total salaries and wages disbursed in a year. The sums received from the imposition of these taxes are termed " Steuergrundbetraege," or Basic Taxes, and the municipalities make additional assessments thereto, varying with the financial requirements of the local authority concerned.

A further tax payable by companies owning their own buildings is " Hauszinssteuer," a tax levied on landlords. It is payable only in respect of buildings which on July 1st, 1918, were the subject of a charge, subsequently devalorised, after the inflation, by 75 per cent. of its gold value. The landlord was relieved of three-fourths of his liability by reason of the devalorisation and the tax was imposed to rectify the anomaly. The tax has as its basis the sum payable for " Tax on Land Values " (" Grundsteuer "), viz R.M.2.00 in respect of each R.M.10,000.00 of value, and in the case of the State of Prussia a tax equal to this figure is imposed. As with other taxes the municipalities make supplementary assessments, varying from 200 per cent. to 300 per cent. of the basic tax. The municipalities, it may be noted, are not permitted to make supplementary assessments to those imposed by the Reich.

During the period since the termination of the War, German tax law has been altered on numerous occasions, and this has tended to complicate the settlement of cases, with the result that final assessments are deferred in many instances for years.

INCORPORATED ACCOUNTANTS' LODGE.

The Installation Meeting of the Incorporated Accountants' Lodge was held at Northumberland Rooms London, on October 24th, when Bro. Arthur Vernon Huson was installed in the Chair by his predecessor, Bro. W. A. Pearman. Amongst those present were Bro. Sir William Prescott, P.G.D., Bro. Sir James Martin, P.G.D., Bro. M. J. Faulks, P.A.G.D.C., Bro. Richard A. Witty, P.G.St.B. ; Bros. H. A. Pearman, L.R., J. Fettes, L.R., A. Ogle, S. D. Payne, J. A. Wilcox, E. W. Longhurst, D. Dunlop, S. R .Cummings, W. O. Hudson, C. H. Pearman, C. H. Lester, A. J. Gredley, W. W. Pasco, M. Widdowson, Henry Morgan, F. E. Clements, J. C. Fay and A. Anderson.

Bro. A. V. Huson appointed his officers as follows :— Bro. F. J. Nash, S.W. ; Bro. W. J. Crafter, J.W. ; Bro. W. H. Payne, L.R., Treasurer ; Bro. M. J. Faulks, P.A.G.D.C., Secretary ; Bro. Richard A. Witty, P.G.St.B., D.C. ; Bro. C. A. Holliday, S.D. ; Bro. A. S. Darr, J.D. ; Bro. W. C. Chaffey, A.D.C. ; Bro. H. J. Burgess, Almoner ; Bro. C. A. Sales, LL.B., I.G. ; Bro. A. R. Chart-Leigh, M.Sc., Organist ; Bro. Thomas Keens, D.L., Assistant Secretary ; Bros. D. F. Good, E. J. P. Garratt, W. Holman, and A. A. Garrett, Stewards.

During the proceedings the hearty congratulations of the Lodge were tendered to Bro. Richard A. Witty on his appointment as a Grand Officer. At the dinner in the evening the health of the Worshipful Master was proposed by Bro. W. A. Pearman. He reminded the brethren that Bro. Huson was one of the original Founders of the Lodge, that he had filled many offices and that he had never missed an opportunity of advancing the interests of the Lodge. He was held in high estimation by the members, who were all pleased to see him occupying the proud position to which he had attained. The toast was received very enthusiastically, and in his response Bro. Huson said that it would always be his endeavour to uphold the high traditions of the Lodge and of the Society to which they were all so proud to belong. The toast of " the Officers of Grand Lodge " was responded to by Bro. Sir William Prescott and that of " The Installing Master " was proposed by Bro. Sir James Martin.

The toast of " The Visiting Brethren " was given by Bro. W. J. Crafter and responded to by Bros. A. Ogle, J. Fettes, L.R., and C. H. Lester.

The Secretary of the Lodge is Mr. M. J. Faulks, M.A., F.S.A.A., 8-9, Martin Lane, Cannon Street, London, E.C.4.

Obituary.

JOSEPH WRIGLEY CARTER.

We have received with regret news of the death on October 15th of Mr. J. W. Carter, F.S.A.A., of the firm of Messrs. Carter & Pickard, Incorporated Accountants, Leeds. Mr. Carter had been a member of the Society for 30 years, and was an enthusiastic member of the Incorporated Accountants' District Society of Yorkshire; he was elected to the Committee of the District Society in 1924, and was President for 1927-28. He was also a member of the Executive Committee entrusted with the arrangements for the Congress held by the Parent Society in Leeds and Bradford in October, 1924. Mr. Carter was 68 years of age, and his career dated from the year 1880, when he became a clerk in his father's office. Upon his father's death in 1889, Mr. J. W. Carter carried on the practice in his own name, until a few years ago he entered into partnership with Mr. G. O. W. Pickard, A.S.A.A., under the style of Carter and Pickard.

The funeral took place at Rawdon Parish Church on October 17th. The Incorporated Accountants' District Society of Yorkshire was represented by Mr. Thomas Hayes (President), Mr. F. Holliday, Mr. T. Revell, Mr. W. Tate, Mr. A. Walton, Mr. F. Harrison, Mr. G. Astle, and Mr. T. W. Dresser (Honorary Secretary). Others who attended included members of the Goderick Lodge of Freemasons, of which Mr. Carter was a Past Master.

FRED MOSS.

We regret to record that Mr. Fred Moss, F.S.A.A., of the firm of Messrs. Moss & Williamson, Incorporated Accountants, Ashton-under-Lyne, died on September 29th last. Mr. Moss, who was 55 years of age, had been a member of the Society since 1908. He entered the accountancy profession in 1898 as a clerk to the firm of Moss & Barker, in which his father was a partner, and became a member of the firm in 1907. He served as Clerk to the Stalybridge and Dukinfield Joint Sewerage Board and to the Audenshaw Urban District Council. For several years he was a member of the Ashton District Education Committee, and in 1925 was Chairman of its Finance and Administrative Sub-Committee. He was also a member of the Fidelity Lodge of Freemasons. The funeral took place on October 3rd, and was attended by representatives of the Corporations of Ashton-under-Lyne, Stalybridge, and Dukinfield, and of the Audenshaw Urban District Council.

FREDERICK WILLIAM STEPHENS.

The tragic death of Mr. F. W. Stephens, F.S.A.A., F.C.I.S., which occurred at the Chertsey Golf Club on October 14th, came as a great shock to his many friends. Mr. Stephens, who was 58 years of age, suddenly collapsed and died. He became an Associate of the Society of Incorporated Accountants and Auditors in 1906 and a Fellow in 1914. He was the senior partner in the firm of F. W. Stephens & Co., Incorporated Accountants, of Eldon Street, E.C.2, and had been in practice in the City of London for 30 years. He was a Freeman of the City and a Liveryman of the Worshipful Company of Ironmongers. He was also one of the Founder members of the Incorporated Accountants' Lodge of Freemasons. Upon the formation of the Incorporated Accountants' London and District Society, he was elected a member of the first Committee, and in the year 1925 he filled the office of President of the Incorporated Accountants Students' Society of London. In the Boer War he went on active service with the City of London Yeomanry, and held the South African medal with two bars. The funeral took place on October 19th at St. Albans Church, Streatham Park, London, and was attended by Mr. A. A. Garrett, Secretary of the Society, on behalf of the Council, and by Mr. A. V. Huson, the newly-appointed Master of the Incorporated Accountants' Lodge.

MEMBERS' VOLUNTARY WINDING-UP

Supervision Order

Mr. Justice Maugham, in the Chancery Division on October 9th, heard a petition by S. Javelle et Cie, a limited liability company of French silk manufacturers, for the compulsory winding-up of Thom, Sons & Co., Limited. Mr. Buckmaster appeared for the petitioners and Mr. Archer, K.C., for the voluntary liquidator and opposing creditors.

Mr. Buckmaster stated that the respondent company had gone into a members' voluntary liquidation in June last year and it had carried on business for sixteen months. During that period no creditor had been paid a penny. The petitioning creditors were supported by creditors for £2,000, and their own claim was for £271. Creditors for £2,400 were in favour of a compulsory order, and creditors for £2,196, together with the liquidator and directors, opposed it. Petitioners could not get paid and they presented their petition.

His Lordship said the right view was that there was a legal liquidation in progress, and the creditors were not entitled to be paid their debts but to receive a dividend.

Mr. Buckmaster: It comes to the same thing in the end. We ought to be paid something.

His Lordship: Your point is the liquidation has not been properly conducted?

Mr. Buckmaster: Yes. The evidence is that trading has been carried on at a loss and that the assets are worth less now than they were.

Mr. Archer, K.C., said the liquidation had been carried on with the assistance of the creditors after an application to the Registrar for directions. Unfortunately things had not gone well through the unforeseen badness of the 1933 season.

His Lordship: The liquidator has no right to carry on the business except for the purposes of the liquidation. He is not like a receiver.

Mr. Archer said the position was that the company traded in ribbons, and the question was how to get rid of them. He was trying to realise the stock to the best advantage. Any purchasing was done under the advice of a good part of the creditors. The company sold ribbons, trimmings and things of that sort, and the trouble was that ribbons went out of fashion.

His Lordship: The longer it takes to realise, the worse for the ribbons.

Mr. Archer said the ribbons did not deteriorate. There were a few bales left and the Court had ordered them to be sold by advertisement and tender. Charges had been made in the petition against the directors and liquidator which in his submission were unjustified. He represented creditors for £1,762 opposing the petition, which in his view was a waste of time and money.

His Lordship: There is a declaration of solvency here. Does the liquidator still suggest the company is solvent?

Mr. Archer: No. He cannot say it is solvent now. Everyone in this trade thought that things had touched the bottom in 1932, otherwise that declaration would not have been made.

His Lordship said he was disposed to make a supervision order.

Mr. Buckmaster: That would be quite satisfactory to the petitioners so long as the matter in future will be in the hands of the Court.

Mr. Archer said his case was that the petition was not justified. As to the allegation that there had been heavy purchases of stock, the position was that some ribbons had to be bought so that customers would not be turned away. The difficulty had been that two big companies who sold ribbons had gone into liquidation and thrown their goods on the market. The respondents' London warehouse had been closed and the goods moved to Luton. In the circumstances respondents would submit to a supervision order, although there was no justification for any suggestions against the liquidator.

Mr. Buckmaster: No charges are made against the liquidator personally. We do not say that he has behaved improperly in his professional capacity.

His Lordship: On the whole, without going further into the matter and without expressing any definite opinion on the course the liquidation has taken or the conduct of the directors in making a declaration of solvency, or on the matter of the liquidator without, I understand, the authority of the Court buying assets for the purpose of carrying on the business, I think in the circumstances it would be right to make a supervision order. Having regard to matters which are highly controversial it would be better that I should not further explain the reasons that have led me to this conclusion. On the whole, I think a supervision order is the one to make in the circumstances, but as far as I have gone into matters mentioned in the petition, I think I ought to say that, in my opinion, the petitioning creditors were justified in July, 1933, in submitting the matter to the Court. I do not think they are to blame in desiring the assistance of the Court in getting their debts paid. There will be a supervision order.

FOURTH INTERNATIONAL CONGRESS ON ACCOUNTING, 1933.

The book of the proceedings of the Fourth International Congress on Accounting will be issued shortly. Gratuitous copies will be sent to all Societies represented and to all Societies invited but not represented at the Congress; to all delegates and visiting accountants from abroad; and to those members of the sponsoring bodies who applied for tickets for any of the events which took place during Congress week.

It is felt, however, that these proceedings will be of interest to many other members of the profession, and it has therefore been arranged with Messrs. Gee & Co., Ltd., to prepare a limited number of the books for sale at 6/-. each. It is requested that all who wish to purchase copies will communicate at once with Messrs. Gee & Co., Ltd., 6, Kirby Street, London, E.C.1, stating the number required, in order that some estimate may be made of the number to be printed.

LONDON CHAMBER OF COMMERCE.

At a meeting of the Council of the London Chamber of Commerce held on Tuesday, October 10, Mr. Henry Morgan, F.S.A.A., was unanimously elected Treasurer of the Chamber in succession to Sir Edgar Sanders, resigned.

LECTURES AND TRANSACTIONS OF THE Incorporated Accountants' Students' Society of London and District, 1932-33.

WAR DEBTS—ECONOMICS—HOLDING COMPANIES—RAILWAY ACCOUNTS.

Professional education for the accountant presents many difficult problems, and there is a tendency in some quarters to measure education by the demands of the examiners. This is comprehensible from the student's immediate point of view, but it really reverses the proper order. Education should be definitely focussed upon the present and probable future qualifications demanded of the accountant and the examination syllabus should be adjusted from time to time as a means of testing the extent to which articled clerks and by-law candidates have risen to their opportunities. Indeed, a close analysis of recent examination papers shows that this is continuously being done, even though the title headings of the various papers in the syllabus may not be altered. The importance of this aspect of education cannot be over estimated by the Committees of Students' Societies and District Societies. It is therefore gratifying to note that the 37th volume of the "Lectures and Transactions" of the London Students' Society contains a selection of papers evenly balanced between the requirements of the examination syllabus and the wider topics of national and international commerce. The value of this educational work in London is enhanced by the publication of the papers in permanent book form, and it should not be beyond the power of the District Societies Conference to devise some means by which a corresponding advantage can be extended to the many valuable contributions to professional education which emanate from the various District Societies of Incorporated Accountants which now cover the complete area of Great Britain.

"The Most Tragic Book-keeping in History" is a phrase which is now familiar throughout the world, and this is the title of a lecture by Mr. Leonard J. Reid, City Editor, *Daily Telegraph*. There is some doubt as to who was the originator of the phrase, but the circumstances which are thus described are well known to everybody. In the early days of the Great War the British Government was answering the call of many allied countries for financial assistance, and the measures then adopted were regarded not as the pooling of financial resources by nations engaged in a common cause, but as loans that would have to be repaid afterwards. Mr. Reid gives the essential figures of inter-governmental borrowings and arrives at the conclusion that in the final process of funding America forgave her debtors 40 per cent. of the total while Britain cancelled 70 per cent. of what her European allies owed her for loans for the prosecution of the War. The fact that British borrowings from America were borrowings of commodities and not of cash is emphasised. The attempt to arrive at a settlement of the problem of War Debts is again receiving the earnest attention of the greatest financial experts on both sides of the Atlantic, and Mr. Reid's address will be welcomed as an invaluable epitomé of the dual arguments which make a solution so difficult.

"The Economic War," by Mr. S. W. Alexander, City Editor, *Daily Express*, and "Some Monetary Problems," by Mr. H. E. Davis, Incorporated Accountant, deal with certain aspects of the aftermath of that tragic book-keeping. Mr. Alexander contends that it is not strictly true that we are suffering either from over-production of commodities or from under-consumption, but rather from

the absence of free play and accordingly free adjustment. The problem of the man and the machine is brought home with a humorous but apt illustration of the manufacture of cream buns by machinery. From the internal aspect the lecturer is forced to the conclusion that the present serious situation has arisen through our internal wastefulness and extravagance in public administration, in the subsidisation of uneconomic industries and the restriction on the production of coal. The external aspect involves many other considerations affecting all the nations of the world. Rationalisation, on the whole, is condemned, and Mr. Alexander's views under this heading will find many supporters even in the ranks of big business. The monetary problems dealt with more particularly by Mr. Davis are the necessity, in his opinion, of passing a new form of Bank Charter Act to get money under control again and at the same time a more stringent control of all financial operations. Mr. Davis ventures on the prophesy that "this country will start being prosperous in 1935, which prosperity will be at its height in 1942-50."

Mr. A. E. Langton, in his paper on "The Accounts of Holding Companies," approaches a subject which appeals to every qualified accountant if only for the reason that the subject calls for the exercise of accounting intelligence of the highest order. Professional opinion is divided in regard to the necessity of issuing a consolidated balance-sheet in the case of holding companies, and Mr. Langton gives a concrete illustration involving many of the most difficult problems in this connection which have to be solved in actual practice. He deals with the position which arises where a holding company is the proprietor of only part of the share capital of one or more of its subsidiaries; he also faces the position where one or more subsidiaries may be in arrear with preference dividends and where reserves are in existence at the date of acquiring an interest. He then turns his attention to the manner in which the inter-company items are amalgamated, and finally considers the construction of the consolidated profit and loss account. Mr. Langton contends that anybody reading this consolidated balance-sheet can get some idea of the financial position of the group as a whole and as to the extent to which the shares in other companies held by the holding company are represented by tangible assets and liabilities.

Mr. R. G. Davidson, Incorporated Accountant, contributes an authoritative and informative address on "Railway Accounts." After a brief historical survey of statutory requirements in relation to railway accounts, he presents and explains the form of accounts and statistical returns as published annually by the railway companies at the present time. The double account system is here seen in operation with its advantages and its defects clearly reflected in actual figures. The new *cumulo* method of valuation for rating purposes embodied in the Railway (Valuation of Rating) Act, 1930, is explained, with a short description of the bases of valuation and apportionment. Income Tax does not occupy such a prominent position in the volume as in former years, and the only lecture on this subject is by Mr. J. S. Scrimgeour, O.B.E., Barrister-at-Law, entitled "Computation of Profits for Income Tax." The absence in the main Act of any specific method of computing profits has necessarily forced this question into one of practice rather than law. Mr. Scrimgeour, however, is dealing more particularly with the legal aspect as represented by case law.

The detection of errors was at one time a favourite and frequent subject for debate at Students' Society meetings, and it is right that it should still be discussed by each succeeding generation of students. The lecture by Mr. W. J. Back, Incorporated Accountant, on "How to Detect Errors where Accounts do not Balance," touches the fundamentals of auditing. The different kinds of mistakes and the methods of locating errors are considered from the practical point of view, and Mr. Back's recommendations should be very helpful to all junior clerks. Perhaps on some future occasion the author may be persuaded to give an address on the still more important subject of the detection of errors when accounts *do* balance. Other papers in the volume include "Recent Developments in Mercantile Law," by Mr. Maurice Share, B.A., Barrister-at-Law; "Accounts from Incomplete Records," by Mr. R. A. Fricker, Incorporated Accountant; and "Property of the Bankrupt which Passes to the Trustee," by Mr. Oswald Griffiths, M.A., LL.B., Barrister-at-Law.

The volume also includes the Report of the Committee for the year 1932, from which it appears that 280 new members were elected during 1932, the total membership of the Students' Society on December 31st last being 1,725. Alderman Sir Stephen Killik, J.P., has again been re-elected to the office of President, and his untiring energy and enthusiasm have contributed in no small measure to the success of the Society in recent years.

The "Lectures and Transactions" are issued free to the members of the Students' Society, and can be purchased by others at the price of 3s. 6d.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council of the Society was held at Incorporated Accountants' Hall on October 26th, when there were present: Mr. E. Cassleton Elliott (President), Mr. R. Wilson Bartlett (Vice-President), Mr. W. Norman Bubb, Mr. Walter Holman, Mr. Thomas Keens, Mr. W. Paynter, Mr. R. T. Warwick, Mr. Richard A. Witty, Mr. A. A. Garrett (Secretary) and Mr. E. E. Edwards (Parliamentary Secretary).

Apologies for non-attendance were received from a number of members.

DEATHS.

The Secretary reported the deaths of the following members: Arthur William Brooks (Associate), Liverpool; Vincent Burdon (Associate), Bradford; Joseph Wrigley Carter (Fellow), Leeds; William Chadwick (Fellow), Liverpool; Frederick Gibson (Associate), Sunderland; Thomas Hambury Jones (Associate), London; Harry Monro Brackenbury Ker, J.P. (Fellow), Bridgwater; Arthur Watson MacGowan (Fellow), London; Harold Maude (Associate), Johannesburg; Fred Moss (Fellow), Ashton-under-Lyne; John Bradford Slack (Associate), Rotherham; Frederick William Stephens (Fellow), London.

VICE-PRESIDENT.

The President welcomed Mr. R. Wilson Bartlett, the Vice-President, on his return from visiting Canada and the United States of America. Mr. Wilson Bartlett made a short statement to the Council in regard to his visit and to the cordial reception accorded to him by a number of members of the profession.

A number of elections to membership were made, and other business was transacted.

Accountancy as a Career.

AN address to the Boys of Dunstable School by

MR. THOMAS KEENS, F.S.A.A.

Mr. KEENS said: I am delighted to accept the invitation which your headmaster has extended to me to address the senior boys upon the profession of accountancy. I think headmasters and assistant masters of schools are to be congratulated upon the practical interest they have developed and the responsibility they have taken in regard to the careers of boys leaving school. Headmasters are now at considerable pains to advise boys upon the opportunities which are available to them, relative to their particular inclinations and capacities. Time was when the choice of a career was rather left to take care of itself, generally based on the ideas of parents and, possibly, the introductions which they themselves could influence. Headmasters have always been interested in giving boys an opportunity where parental guidance has been somewhat indefinite. But this aspect of the work of headmasters and others has left the region of the haphazard and has become definitely organised.

I am satisfied that in the past boys leaving school frequently suffered in their subsequent careers for want of proper advice and information. No boy need suffer on that account to-day. This is a natural and proper development, but the pressure of these difficult times and the admitted difficulty of finding sufficient openings for boys leaving public and secondary schools has doubtless stimulated interest in the direction I have mentioned.

This does not mean that schoolmasters are being tempted away from their proper job of carrying on the education of the country. Definitely they are not. Speaking as a member of another profession, I think that in itself is a sufficiently difficult task. Rather they are seeking to co-ordinate their special knowledge of the aptitudes and inclinations of boys with the opportunities open to them, and to the cultivation of relationships with industry, commerce and the professions.

I start with the conception of education as the building of character, the stimulation of general and particular interests and the development of the mind. I understand there is no particular desire to include in the curriculum of secondary schools subjects of a definitely vocational and utilitarian character. If there were any such tendency, in my judgment, it is to be deprecated. Speaking as an employer of a fairly large staff, I would say that an employer, whether in commerce, an industry or a profession, desires his junior clerk or assistant to have a well trained mind in the general sense. That is, he should be receptive of new ideas, possessed of a willingness to learn, alertness, good powers of observation, character and personality. These qualities are the result of a comprehensive yet concentrated education, and are not dependent on a pursuit of study in this or that "useful" direction. Mind training rather than utility is the goal to be sought.

HOW TO QUALIFY FOR THE ACCOUNTANCY PROFESSION.

I would now draw your attention to the requirements for a course of training and other factors in qualifying for the accountancy profession. The profession of accountancy, unlike the legal profession and those of medicine and dentistry, is not regulated by statute, and this makes any brief description of professional qualifications somewhat difficult. It is true that various qualifications entitle a person to carry on practice as a registered medical practitioner. In common parlance he is called a doctor, but a doctor may hold any one of several qualifications, *e.g.*, M.B., B.S., M.D. or M.R.C.S., L.R.C.P. (conjoint), or F.R.C.P. The essential fact is that the person must be on the statutory register of medical practitioners. A solicitor must be on the roll of solicitors, by the law of England. The profession of accountancy is not so regulated by statute, and there are a number of bodies which offer qualifications for the purpose of carrying on the profession of accountancy. I am not proposing to differentiate between these different qualifications, but for the purpose of discussion I will confine my observations to the oldest bodies of accountants in this country, which are the three bodies of Chartered Accountants of Scotland, the Institute of Chartered Accountants in England and Wales, and the Society of Incorporated Accountants and Auditors. I can more particularly speak of the last, because I have had the honour of being a President of that Society, and my interests are naturally in that direction. Members of the first two bodies are described as "Chartered Accountants" and the members of the Society as "Incorporated Accountants." This does not indicate, however, that the nature of the professional business which their respective members undertake is in any way different. These bodies all constitute sections of the accountancy profession, and are generally recognised in public estimation accordingly. The term "Chartered Accountant" can only be used in this country by members of the English, Scottish and Irish bodies of Chartered Accountants; the designation "Incorporated Accountant" can only be used by members of the Society of Incorporated Accountants and Auditors. This privilege was granted by a decision of the High Court of Justice given after full inquiry and satisfaction as to the high standard and qualifications required.

TRAINING AND EXAMINATIONS.

I will deal with features common to the qualifications of all these bodies, though there may be some variation in detail between one body and another. These details can be ascertained by subsequent inquiry. First a candidate must satisfy the Council of the body as to his general standard of education. This is testified by his producing a matriculation or school certificate (the details required should be carefully studied), or, alternatively, by passing the Preliminary or educational examination of the body concerned. As far as the Society of Incorporated Accountants is concerned there is an increasing tendency to produce one of the recognised certificates rather than to sit for the Preliminary examination. Having obtained such exemption the candidate is articled or apprenticed to a member of the body concerned who carries on public practice. The articles of clerkship are a legal document, and are in fact a contract of personal service on the part of the articled clerk to the employer; the employer on his part undertakes to provide facilities for the clerk to learn the profession, and to facilitate the clerk's admission to the professional body after having passed the prescribed examinations. The period of articles is for five years, except in the case of University graduates, when it is reduced to three years. During that time a clerk will be engaged in the professional business of his employer, and must devote himself to studies and to passing the Intermediate and Final examinations. The usual course is for the father or guardian of the pupil to pay some premium upon the articles in consideration of the clerk learning his profession. In the Scottish bodies the amount of premium is fixed; in the English Chartered Accountants and Incorporated Accountants' bodies the amount of premium is a matter for negotiation, and depends upon the practice and standing of the firm. A salary is usually paid to the clerk, and may have some relation to the amount of the

premium. This again is a matter for negotiation. Some firms do not take premiums, but reserve articles for clerks who, after a probationary period, have shown definite promise. I should say that it is the usual practice for the clerk to serve a probationary period before his articles are signed, in order that the employer and he may obtain some preliminary idea as to whether he is suited for the work.

The clerk will be engaged upon the details of the professional business of his employer. At first he will probably be entrusted with elementary work in the firm's own office. He will obtain a knowledge of office routine, which is essential for every clerk and which he will find of great value in after years. At a later stage he will be sent to assist in the conduct of audits with a senior clerk, or possibly be engaged on junior work in connection with a secretaryship, the liquidation of a company, or the winding-up of a bankruptcy estate. After the passing of his Intermediate examination the clerk is likely to be entrusted with more responsible duties, and the degree of responsibility will depend upon his abilities and the industry he has shown during the earlier period of his articles. I cannot offer any specially inspired advice in regard to the carrying out of duties under articles, except to say that punctuality in attendance, industry, keeping work up to date, and those usual business qualities with which you become familiar at school, are of the greatest possible value. Most important of all is integrity ; the clerk must keep inviolate anything he may see or hear relating to the affairs of his employer or of his employer's clients. These qualities are ordinary, but because they are ordinary I think they are the more important.

The candidate during this time must think of his professional examinations. The Intermediate examination has to be taken at the end of the first two years' service or thereabouts. The subjects will vary slightly from one body to another. In the Intermediate examination of the Society of Incorporated Accountants, the candidate is examined in book-keeping and accounts, including income-tax, costing, general commercial knowledge and some elementary law relating to accountancy work. The Final examination is taken during the last year or immediately after the conclusion of articles. Here the subjects are more advanced in character, and comprise those of the Intermediate examination together with papers in statistics and economics. The legal subjects are more extended and are of a higher standard.

It is usual for candidates to study for the examinations in spare time in the evenings. By the good will of employers a short period may be allowed off before the examination, but this is by no means necessary. It is a mistake to regard the period of articles merely as a time of preparation for the examinations. The examinations are incidental, though important, and are to test professional capacity. In fact, the more assiduous a candidate has been in executing his practical duties the more easily he should be able to pass his examinations. In some countries articles are not required, and the sole requirement for a certificate of qualification is the passing of an examination. Experience has shown that the results of this practice are inferior to those of the English system, with its insistence on adequate practical training. The candidate, however, cannot rely entirely upon practical experience to pass the examinations. There is considerable reading to be done and practical exercises to be worked.

In regard to the Society of Incorporated Accountants and Auditors, in addition to the regulations relating to service under articles of clerkship, clerks who are not serving articles may be admitted to the examinations of the Society in precisely the same way as articled clerks, provided they have served six years in the profession for the Intermediate examination and a further three years for the Final examination. Such candidates must pass or obtain exemption from the Preliminary examination in the ordinary course. Thus the special regulations offer an opportunity to those who may not have the means or facilities for serving articles of clerkship.

STUDENTS' SOCIETIES.

The actual preparation for examinations is usually carried out with a firm of private coaches, or there are admirable classes at certain technical and commercial institutes. Every candidate for the examinations of the Society of Incorporated Accountants is required, immediately he has passed or obtained exemption from the Preliminary examination, to join a Students' Society. The Students' Societies hold lectures, provide library facilities, and, what is more important, give students an opportunity of meeting those who in due course will become fellow members of the same profession. These Students' Societies, however, do not undertake to coach candidates for the examinations, although some of the lectures are devoted to examination subjects. I have every reason to feel satisfied with the system of training and organisation which has been built up for the accountancy profession, although perhaps there is room for development in the means available in regard to preparation for the examinations. At the same time the coaching organisations have done some good work, and it must be remembered that it is to the course of training in the employer's office that the highest importance is attached.

THE WORK OF THE ACCOUNTANCY PROFESSION.

Definitions are useful, especially when they convey a succinct and concise idea of what they define. But there are some things which cannot be adequately defined ; poetry is one of them and a professional accountant is another. A descriptive definition of a professional accountant seems to have defeated the best legal brains in the country, except that his duties could be described similarly to those of the Archdeacon, who, as you have probably heard, performs archdiaconal functions. A Committee appointed by the Board of Trade in 1930 admitted that it could find no adequate definition of an accountant.

I should say that the beau ideal in the accountancy profession is for a Chartered or Incorporated Accountant to obtain additional experience for two or three years after qualifying, and then to begin public practice, either on his own account or in partnership with another member of the same body, or by joining an established firm. In my opinion a partnership is preferable to a sole practice. I am therefore considering at the moment the accountants' work from the point of view of a practising accountant and those who serve as his clerks, whether qualified members of the profession or articled clerks.

During the last twenty years the conduct of business, industrial and financial operations has become more complicated. I need not go into the causes ; the same causes have been at work in affecting the economic structure of the country in other directions. Business of all kinds is now mostly carried on by companies, some large, some small, or by firms (private partnerships). A company is a joint stock venture to which a number of people contribute money for the capital. The direction of affairs is entrusted to a small number of people called the Board, and the details of the business are carried out by

permanent officials. The liability of the shareholders is limited to the amount of money they have invested. In a firm (or partnership) each of the partners is liable to the extent of the whole of his possessions for the debts of the firm. This may seem a technical difference, but in reality the two forms of business undertakings present many practical differences. There has been a tendency for the numbers of companies to increase, whether public companies (large companies) or private companies (small companies). Income tax is another important feature of business affairs.

By law every company must prepare accounts once a year and have them independently audited by an auditor. It is not necessary that he should be a member of the accountancy profession, but almost without exception the auditor is a qualified accountant. Auditing carries great responsibilities, and a mistake or error of judgment of an auditor may lead to serious consequences. I mention this to emphasise the responsibility of the work.

The law and practice of income tax are complicated. The authorities endeavour to be just in the assessment of income tax; at the same time the tax must produce revenue. To ride both these horses at once is a difficult business and involves complications: I cannot well see how it can be otherwise. There has fallen to the accountancy profession heavy responsibilities in settling the income tax assessment of taxpayers with the Inland Revenue.

I mention company auditing and income tax as two considerable constituents in the work of a professional accountant, but there are many others: the winding-up of companies which have been unsuccessful; the reorganisation of companies which have not been successful but which show promise; executorships and trusteeships under wills or administrations; careful supervision of the affairs of a business man who may have become insolvent or even bankrupt. It is not a good thing to have the country strewn with the wreckage of failure. An accountant is frequently appointed to be the liquidator of a company or to be a trustee on behalf of an insolvent business man. He may be appointed receiver for debenture holders, or to some other form of receivership. This function really means running a business; therefore his knowledge of different trades must be wide. Incidentally, he may be asked to act as secretary of companies which are housed in the offices of his firm; sometimes he may be appointed as a director to watch the financial side of a company. But there is a large and undefined area in which the professional accountant must act. He may be called upon to make a detailed investigation of the financial affairs of a business. Such investigations are required for many purposes, *e.g.*, when a prospective purchaser wishes to be satisfied that the business is financially sound, or when irregularities in the accounts are suspected. He is called upon by his clients to advise on every aspect of business, commerce, organisation, finance, systems of accounts, records, statistics, and more especially to deal with special problems which arise almost daily in the conduct of business affairs. He is a general business consultant, but at the same time he does not encroach upon the proper functions of a solicitor or estate agent.

PROSPECTS OF THE QUALIFIED ACCOUNTANT.

You will naturally ask what are the prospects after you have taken the qualification of, say, Incorporated Accountant. That is a difficult question to answer. The accountancy profession is based upon individual responsibility, and prospects largely depend upon the individual and his capacity to make opportunities for himself. A young man, after having qualified, should endeavour to remain for two or three years as clerk to a Chartered or Incorporated Accountant, to obtain wider experience. He may continue there indefinitely as a senior clerk, but with some notable exceptions there are limits to the earning powers of those who are on the staff of a firm. If he shows particular aptitude and has the means of influencing professional business, the firm may take him into partnership. Or if he has some capital and a few friends, he may say, "I will begin practice for myself"—a perilous but hopeful voyage. I can only say that many have succeeded, but it must be admitted that the early years of practice are difficult, and those whose enterprise takes them in this direction must be prepared for early disappointment, though they may eventually obtain a professional position of dignity and competence. The last four years have been particularly difficult. As you know, trade has been bad all over the world, and we as a profession depend upon good trade. But even in normal times, it is clear that all those who qualify for the accountancy profession cannot be engaged in public practice. Opportunities occur from time to time for them to obtain appointments as chief accountants to companies and business undertakings, where their special knowledge and training can be utilised with advantage. In some of these appointments the salary may not be large; in others high salaries are paid to men of special ability and personality.

Looking back over a long experience of public practice I can recall many members of the profession who with small beginnings have built up successful practices or have obtained singularly lucrative appointments. That may not be the good fortune of all, but on the whole failures are few. In addition, there is the dignity and pride which men enjoy in being members of a profession held in high public esteem. There is a responsibility upon all those who are members of that profession by their work and individual conduct to maintain its high reputation, upon which their own welfare and the welfare of their fellow members depends. Many have found much satisfaction in giving their services to the work of their own professional organisation, and it may be said have thus given to the next generation opportunities which experience and mutual counsel have deemed to be advantageous.

There is an excellent pamphlet published by the Stationery Office, Choice of Career Series No. 6, which I would recommend for your consideration, and the syllabus of the Society of Incorporated Accountants and Auditors also contains a descriptive memorandum which is helpful.

To those boys of enterprise who are prepared to face the chances of professional life, accountancy even in these difficult days offers a promising career. Precision of mind and perhaps some mathematical inclination are useful, but, as I said earlier in my paper, general ability, competence and character are the principal factors in attaining a successful professional career.

Personal.

Mr. A. B. Clutterbuck, F.S.A.A., has retired from the position of City Treasurer and Chamberlain of Gloucester, a post which he has occupied for 44 years. Mr. Clutterbuck's whole business career has been spent at Gloucester, where he entered the City Accountant's office as an articled clerk in the year 1881.

Preparation of a Statement of Affairs.

A LECTURE delivered to the Incorporated Accountants Bradford and District Society by

MR. ARTHUR B. THOSEBY, A.C.A.

Mr. THOSEBY said: My subject to-night is not one to which writers of text books, nor yet lecturers, appear to have given a great deal of attention. For that reason I hope that what I have to say will prove both interesting and useful. The subject is essentially a practical one but, at the same time, I have tried to introduce a number of points likely to be of use to examination students, and I trust the context with which they are surrounded in this lecture will readily bring them back to mind if any of you should be faced with a question on the subject on the fateful examination day.

The term "Statement of Affairs" is almost self-explanatory. In our professional careers we meet it in many directions, but nearly always in connection with the insolvency either of an individual or a limited company.

In bankruptcy and compulsory liquidation the form of the statement of affairs, the deficiency account and the various supporting lists, is prescribed by Statute. Unlike many official forms these forms are soundly constructed and intelligible, and since, speaking generally, all statements of affairs follow similar lines, with such modifications as may be required, every student should be familiar with these standard forms.

Similarly, the outline of the work in connection with the preparation of statements of affairs is largely standardised, but, as in many other things, there is a right way and a wrong way of setting about the work, a way to avoid pitfalls and to cover the ground thoroughly and satisfactorily.

CREDITORS' VOLUNTARY WINDING UP.

To-night, for the sake of convenience, I am going to assume that you are called upon to prepare a statement of affairs in the case of what is now known as a "Creditors' Voluntary Winding-Up." Owing to the unfortunate state of trade at the present time such cases are only too frequently met with.

Sect. 238, sub-sect. 3 of the Companies Act, 1929, provides that the directors of the company shall "cause a full statement of the position of the company's affairs together with a list of the creditors of the company and the estimated amount of their claims to be laid before the meeting of creditors . . ." The meeting referred to has to be called for the day, or the day next following the day, on which the meeting is to be held at which the resolution for voluntary winding-up is to be proposed, such first meeting, of course, being a shareholders' or members' meeting. As a matter of fact, the Act provides that the notices to creditors calling the creditors' meeting must be posted simultaneously with the notices calling the members' meeting. The directors have also to appoint one of their number to preside at the creditors' meeting. Usually the company's auditor is called upon by the directors to assist them in the preparation of the statement of affairs, which, in practice, means that he has to prepare the statement of affairs. At the same time, he must not lose sight of the fact that the statement of affairs and the position disclosed is the responsibility of the directors.

Let us suppose that you are the auditor in question. Besides receiving instructions to prepare the statement of affairs, you will probably find that you are virtually in charge of the business, or, at all events, called upon to advise the directors on a score of matters affecting the business during the period prior to the creditors' meeting. Although technically the liquidation may not have commenced, it is very desirable to deal with the position from the standpoint of liquidation from some earlier date on which the definite decision was taken to call together the creditors. From that date you may well find that you are held responsible for what occurs, and, in such a case, your handling of the situation may well be the subject of comment at the creditors' meeting and may determine whether or not you are confirmed by the creditors in the position of liquidator.

Under the Companies Act, 1908, the liquidator in a voluntary liquidation was, in almost every case, appointed by the shareholders, but, under the Companies Act, 1929, the members can only nominate a liquidator, the creditors' meeting which follows may confirm the nomination by the members or may nominate some other person, who thereupon becomes the liquidator unless the Court on the application of any director, member, or creditor, made within seven days of the creditors' meeting, orders that the members' nominee shall be the liquidator instead of, or jointly with, the creditors' nominee, or that some other person altogether shall have the position. You will find that the nomination of the liquidator is dealt with in sect. 239 of the Companies Act, 1929.

PROCEDURE.

One of the difficulties usually present in the preparation of a statement of affairs is shortage of time. Under the provisions of the Companies Act, 1929, you will rarely find that you have more than from seven to ten days for the work in the case of a creditors' voluntary winding-up. You should, therefore, have a clear idea in your mind from the outset of what ought to be done and in what order with the following objects:—

(*a*) The compilation of an accurate statement of affairs to be available for the creditors' meeting, and, in some cases, it is desirable for the statement of affairs to be available for the members' meeting.

(*b*) The extraction of such information as is likely to be called for at the creditors' meeting.

(*c*) The taking of such steps as are necessary to protect the position of creditors pending the members' and creditors' meetings and to facilitate the future conduct of the liquidation.

(*d*) The reduction of current expenditure with a view to liquidation.

If you have been the auditor of the company you are in a much better position than is a stranger, who, of necessity, will take some little time to acquaint himself with the books, the nature of the business and the company's officials. This, however, is incidental, not affecting in any way the duties which should be performed.

In my view, it is essential to write up the company's books to the date to which the statement of affairs is to be compiled. This work should be commenced immediately, leading up to the balancing of the books as at the same date. Of course, it is unnecessary to balance the books exactly, but they should be brought into reasonably accurate balance. There will be no necessity to vouch all the transactions or to perform an audit. This may seem to you to be absorbing a large part of the available time, but to prepare the statement of affairs on any other foundation than balanced books is to run grave risks of the kind involved in the preparing of a single entry balance sheet.

At this point, may I say a few words upon the subject of the necessity for care in preparing statements of affairs?

I am afraid that too often there is a tendency to regard the statement of affairs as only an approximate statement, something got out hurriedly for the creditors' meeting. Apart from the fact that such a document may be positively misleading, a serious matter if the question of a scheme of composition arises, you will find that a carelessly prepared statement of affairs can lead to endless trouble, if not at the creditors' meeting, then later with the committee of inspection.

Having written up the books and seriously commenced the work of balancing them, it is advisable to refuse to permit any further entries to be passed through the books. As the days pass, scores of necessary adjustments for the statement of affairs will come to your notice, but if you try to pass these through the books you will almost certainly confuse the staff who are engaged attempting to balance the books. It is much better to make a record of all such adjustments in journal form, so that effect can be given to them when preparing the statement of affairs. The relative invoices, credit notes, correspondence, &c., can be kept in a file to support the journal entries.

Very early, you should arrange to obtain a list of all the creditors and likely creditors of the company. This list should give the names and addresses and the ledger reference in each case. Space should also be available for the amount of the claim when agreed, and for notes on the position of any individual creditor. A letter should be sent to all these people asking them to let you have, by return, a statement of their account with the company and, in appropriate cases, full particulars of any outstanding contracts and of any security held, with the date when obtained. As these statements come to hand they can be examined with the ledgers and records, marked off on the list of creditors as having been received and any necessary adjustments and corrections made. As and when an account is agreed the amount can be filled in on the list. You will remember that the new Act provides that a list of the creditors of the company and the estimated amount of their claims has to be laid before the creditors' meeting. The rough list I am suggesting to you to keep forms the basis for preparing this list, whilst you will find it invaluable during the week or so before the creditors' meeting in enabling you to check the progress made in agreeing the claims. It saves a great amount of time and trouble, as well as contributing to the accuracy of the statement of affairs, if a large percentage of the claims can be agreed. It is extremely disconcerting at the creditors' meeting to have complaints that the listed figures do not agree with the ideas of the respective creditors on the subject.

VALUATION OF STOCK.

It is most essential for the stock-in-trade to be carefully taken, and it is advisable for a member of your staff to be present throughout the process of stocktaking. The directors or officials of the company will naturally take the stock, and you cannot accept any serious responsibility for its valuation, but you can at least make certain that the stock exists, and it is a great help and guide to the creditors if you are able to say that the stock has been taken in the presence of a member of your staff.

The nature of the stock and the basis of valuation adopted for the purpose of the statement of affairs can give rise to a lot of discussion at the creditors' meeting. One very useful method to adopt—but, of course, you must vary the method according to the nature of the stock—is to arrange for the stock to be taken under, say, four headings, the stock sheets being ruled accordingly. Suitable headings might well be :—

(*a*) Stock required for definite orders.

(*b*) New stock likely to sell at full selling price.

(*c*) Other saleable stock.

(*d*) Old stock.

The directors might then value the stock on identically the same basis which they would have adopted as a going concern, then proceeding to write off fixed percentages from each class of stock for the purpose of the statement of affairs ; for instance, whilst 5 per cent. may be adequate in the case of stock for orders, it might be advisable to write off 50 per cent., or more, on classes " c " and " d." The creditors can then be told what is the exact basis of valuation and no serious question can arise except as to the adequacy or otherwise of the percentage deductions. At the same time, the creditors are in a position to judge as to the saleability of the stock and the length of time required for its disposal. Needless to say, you should have available for the creditors a summary of the stock by classes. If the stock is taken on such a basis, arrangements should be made either for the stock to be marked to correspond with the stock sheets or for it to be segregated class by class. If this be done, such a disaster as the liquidator selling goods as " jobs " which are required for orders is not likely to happen. Also, if in the course of the liquidation the liquidator is left without practical guidance, he will have a very good clue to the actual value of the stock held for disposal and generally the work of disposal will be facilitated by following out some such method as I have outlined. Perhaps a special word is advisable with reference to the valuation of stocks abroad and on consignment ; such stocks almost invariably call for drastic reduction for the purposes of a statement of affairs.

By this time let us hope you have obtained particulars from all the creditors holding security. If such security be in the form of stock, it is best to have it listed, valued and classified, on identically the same basis as that suggested for the " free " stock. By so doing you get a clear idea of the extent to which stock held by creditors is required for orders. The lists should have space to insert the value of stock as it is redeemed or sold, thus facilitating the ultimate exact agreement of the creditors' claims affected.

By the way, in considering the position of creditors holding stock as security you must take particular care to see that no part of such stock is included amongst the company's " free " stock. It should be kept quite separate and distinct, and strict instructions given to the directors or officials taking stock that no stock must be included over which any creditor or other person has a charge.

SECURED CREDITORS.

If a creditor's security be of some other nature than stock, its valuation will have to be very carefully considered. In this connection, the security position of the company's bankers is often rather involved, and you should take an early opportunity of obtaining from the bank a statement of the bank's claim and of the security held, with dates when obtained. The bank's claim should include interest and charges up to the date to which you are making up the statement of affairs. Also, you should reconcile the figure of the bank's claim with the company's books with a view to adjusting the latter as regards unpresented cheques, the amounts of which may have to be added to creditors' claims. Part of the security held by the bank will often be found to consist of bills held for collection. In valuing this type of security you must consider the likelihood or otherwise of the individual bills being met in full by the acceptors. The amounts of bills likely to be met in full may be treated as deductions from the amount of the bank's claim likely

to rank for dividend, but not in any case where payment of the bill is doubtful, since, in such circumstances, the bank will not give credit against its claim for dividends received from the acceptor. Whilst on the subject of the bank's claim, you should also consider the position as regards bills discounted by the bank and not yet matured. The bank will supply a list for verification with the company's books, and here you must consider the possibility of an additional claim arising. Unless these bills are met in full, the company will have to face an additional claim on the amount of the bills where the acceptor defaults, subject only to the consideration that the bank cannot obtain more than 20s. in the £1 in all from both parties.

The valuation of other security in the hands of the bank or other creditors is often a matter of great difficulty, and in advising the directors you may have to be guided very much by some past valuation, the opinion and views of the directors, the opinion of the holder, and even your own experience. If the security is in the form of real property, it may be possible, by arrangement with the holder of the security, to consult an auctioneer and valuer who will give you an approximate value for the asset, on the understanding that if and when sold the matter will be placed in his hands. This course may also be adopted in valuing some of the " free " assets of the company. If investments are held by a creditor as security or figure amongst the " free " assets, where there is no market quotation naturally you will try to obtain copies of the relative balance sheets to assist in arriving at a valuation.

ORDERS AND CONTRACTS.

One matter on which the creditors will expect you to be well informed is the company's position as regards orders and contracts. A member of your staff, together with some responsible official of the company, should go through the order books, listing all the orders on large sheets of paper, the information extracted being such as will enable the value of the orders to be calculated. A statement should be attached against each order setting out the position as regards the order, whether made and in stock, making, or to buy, or as the case may be. It will be found convenient if space is left on the list of orders so that the orders can be marked off, as delivered. This will save a lot of time during the progress of the liquidation, obviating, so far as the liquidator is concerned, frequent references to the order books. Creditors nearly always ask for the value of the orders on hand and if they are profitable or otherwise. If the stock has been taken in the manner I have suggested, you will be able to give the creditors some idea of the difference between stock valuation and order price. In fact, the complete system, stocktaking, lists of orders and contract position (about which I have still to speak) should enable you to deal intelligently with almost any query regarding the position of the company's business activities.

You will have had particulars of contracts from the various suppliers and these will have to be compared with the company's own books. The contracts should be listed and some indication made against them as to whether or not they are required to complete orders. Also, this list should show the current market price so that you may readily compute the probable amount of any claims for differences on contracts which will not be taken up ; also leave space to mark off deliveries so that from time to time it will be possible to tell what progress is being made in clearing the contracts.

Claims for differences nearly always present a difficulty. Many of the creditors will notify you of the amounts of their claims under this heading. Even if the contracts in question are likely to be taken in, it may be prudent to include such definite claims in the statement of affairs, but they must be included in all cases where there is any likelihood of the contracts not being required. Where creditors do not notify such claims and there are contracts involved, you will have to consider whether claims are likely to materialise. Here your list of contracts will be useful in supplying the necessary information. Needless to say, you should be in a position to inform the creditors of the amount of claims for differences included in the statement of affairs, and of the general position as regards contracts.

CONTRACTS AND SET OFF.

At this point it is convenient to digress for a few moments to consider the position on liquidation ensuing as regards contracts. As I understand, each contract is to be considered as a separate contract, and therefore a liquidator should avoid breaking into a new contract unless he is very certain that all the goods covered will be required in the course of the liquidation. If he breaks into a new contract, in effect he is adopting that contract and becomes responsible for it. The supplier cannot refuse to deliver to a liquidator against a new and unbroken contract. On the other hand, a contract which has been broken into and where deliveries remain unpaid for is a broken contract. The liquidator cannot compel deliveries from it, and the supplier is not compelled to deliver. As regards contracts which have been broken into but where all deliveries have been paid for in full, it is thought the liquidator could treat the balance of such contracts as new contracts and compel delivery. The crux of the matter is whether the contract has been broken by failure to pay in full for some part of it. From what I have said you will appreciate that the position as regards contracts should be carefully watched even prior to the actual appointment of a liquidator, and, speaking generally, you will be well advised to make definite arrangements from the outset with suppliers to the effect that deliveries which you take in are to be treated as separate deliveries without any obligation on you or the liquidator to take up and pay for any balances on the contracts. Naturally, the attitude of suppliers is governed very largely by the current price position, but you will frequently find that suppliers are very willing to assist and to continue deliveries so far as required.

Both before and after the creditors' meeting you will find that creditors are anxious to discuss with you the position of their contracts, and, if you are able to tell them, as you will be from the information you have available, what part of their contracts is likely to be taken in, it will be of great assistance to them and will facilitate the working of the liquidation.

It is also necessary to exercise some care in the sales which are effected by the company during the period before the creditors' meeting. There is such a thing as the right of set off and practically all claims provable in a winding-up may be the subject of set off, provided that they result in a liability to pay money, but a claim to reduce a money debt by the amount of a claim for the return of goods wrongfully detained would not be valid, nor can a contributory set off any debts due to him from the company against amounts payable by him as a contributory in the liquidation, unless the contributory be himself bankrupt. In making deliveries prior to the appointment of the liquidator it is well to see that such deliveries are not being made to any creditor or through anyone who is likely to have a claim against the company, for instance, a shipping or railway company ; this, because the date on which set off is permissible is the date on which the resolution to wind-up is passed. If deliveries

have to be made in such circumstances you should definitely arrange for them to be considered as being on "new" account. After the appointment of the liquidator, all invoicing should be clearly done in the liquidator's name on behalf of the company in liquidation.

At this stage you may consider the possibility of contingent claims affecting the statement of affairs. These can arise in many ways, one of the most common being under guarantees given by the company either for some other company's or person's banking account or otherwise in connection with its own business, perhaps even under a guarantee on its products. The assessment of such liabilities must have very careful attention, depending on the circumstances of the case.

PREFERENTIAL CREDITORS.

The position as regards preferential creditors may now be considered. In order to keep down expense you should have prepared a full list of the staff, apart from manual workers, and, in conjunction with the directors you should carefully consider their duties. It may be desirable to give some of the staff notice even before the resolution for winding-up is passed. This question will be determined in each case by the course which it is likely that the liquidation will take.

The preferential creditors must be listed, the amounts for which they are preferential being regulated by the provisions of sect. 264 of the Companies Act, 1929.

One or two comments on the position of employees may be of interest. In the first place, you will understand that claims for preferential treatment can in any case only run up to the date of the resolution for winding-up. Prompt action after that date by the appointed liquidator, fortified by the information you will hold, may well save a good deal of expense in the winding-up. Manual workers paid by the hour may, generally speaking, be dismissed at any time and are not entitled to claim for wages in lieu of notice, but, if paid weekly, they are entitled to a week's notice or a week's wages in lieu of notice. Clerks paid weekly are in a similar position. Staff paid monthly are usually entitled to a month's notice. Employees holding service agreements have a claim under those service agreements and it is usually advisable to make provision for such claims in the statement of affairs. The amount of a claim under a service agreement is based on the actual damage suffered so far as it can actually be ascertained, so that if the employee be successful in finding similar work at a similar salary within a few months his claim would be restricted to one for salary at the agreed rate for those few months, together with the expenses incidental to obtaining his new employment. In practice, the liquidator usually terminates service agreements, re-engaging such of the employees as may be necessary on monthly terms. This method has the advantage of giving such employees time to find new berths, and in this way claims are often very much reduced.

If, as liquidator, you are in any doubt about the position as regards contracts, whether in the nature of service agreements or for goods or otherwise, it is very advisable to take a legal opinion because there have been several cases recently in which a liquidator who paid out money belonging to the company to persons whom he honestly but mistakenly thought to be entitled to it, was held not to be protected against a personal action for recovery of the amount so paid away.

In practice, and for the purpose of your statement of affairs, you may have to include under the heading "Preferential Creditors" certain persons who are not strictly preferential. Under this heading come the claims for water, gas and electricity, where it is usual to threaten to cut off the supply unless the liquidator pays all the arrears. If this threat may be ignored all well and good, but otherwise payment in full will have to be made, the attitude adopted being that the liquidator is an agent of the company and his requests for a supply need not be granted until arrears are paid.

The telephone service is not quite in the same category, the liquidator being able to arrange for the continuation of the service on giving his undertaking to pay for the service from the date of liquidation. You must not forget, however, that a deposit will have been made by the company and that this will be seized by the Postmaster-General so far as it is needed to discharge arrears.

A difficulty often arises in connection with agents, particularly foreign agents. It is frequently desirable to retain their services to assist in the liquidation, and for that very reason it is often found necessary to pay them in full for any arrears of commission. In some cases you will find that foreign agents collect accounts when the liquidator is helpless in the matter. Railway companies and shippers are often in the position of having goods under their control, and here again you may have to swell the ranks of your preferential creditors.

Rates and taxes next demand consideration. Rates are preferential so far as they have become due and payable within one year of the commencement of the liquidation. It is unlikely that there will be any liability to taxation on profits unless it is in the nature of arrears, but consideration should be given to the provisions of sect. 31 of the Finance Act, 1926, which gives the Revenue the right to adjust the assessment for the penultimate year to the basis of actual profits. The assessment for the last year will, in any case, be based on the actual result. No doubt you are aware that the Revenue are entitled to claim a preference for any full year's income tax which is assessed on the company up to April 5th next before the commencement of the winding-up. If several years' income tax is outstanding, this right of choice may make a material difference to the statement of affairs. In the case of the bankruptcy of an individual where arrears of super tax or sur-tax are outstanding, as well as arrears of income tax, the preferential year for super tax or sur-tax will be that year chosen by the Revenue for income tax purposes. In the case of *Lang Propeller, Limited* (1927), it was held that the Inland Revenue's preference did not extend to tax which the company had deducted from debenture interest or from annual payments, since the amounts deducted although liable to be accounted for and paid over to the Revenue were not assessed taxes. As a result, sect. 26 of the Finance Act, 1926, was passed, and, in consequence, tax deducted under Rule 21 of the General Rules from payments made other than out of profits or gains brought into charge comes within the preferential fold.

An interesting introduction to the new Companies Act is found in sect. 264, sub-sect. 3, which states :—

"Where any payment on account of wages or salary has been made to any clerk, servant, workman or labourer in the employment of a company out of money advanced by some person for that purpose, that person shall in a winding-up have a right of priority in respect of the money so advanced and paid up to the amount by which the sum in respect of which that clerk, servant, workman or labourer would have been entitled to priority in the winding-up has been diminished by reason of the payment having been made."

The genesis of the new sub-section is to be found in *re Lamplugh Iron Ore Company*, a 1927 case, where it was decided that a guarantor who had paid a debt which would have been preferential under the provisions of the 1908

Act was held in a winding-up, entitled by virtue of sect. 5 of the Mercantile Law Amendment Act, 1856, to stand in the creditor's place with the same right of priority.

The sub-section clearly indicates that a person who has found money for the purposes stated will have the same rights of preference as would have attached to the individuals for whom he has found the money.

I know the banks have their eyes on this sub-section, and, in cases where liquidation is likely to ensue, I believe the banks are opening special " wages accounts " for the cheques presented for wages and salaries. If, therefore, in your liquidation you find such an account in existence, you will have to consider the extent to which the bank is preferential. It would seem that the composition of each wage cheque would require to be examined in such a case, and the extent of the bank's preference calculated for each separate individual. I have heard it stated that banks have already claimed the preference and secured it even in a case where the separate wages account had not been opened. The position in such a case is not free from doubt and I should advise a liquidator faced with the contention to take legal advice.

I can only think that the sub-section is intended to cover the position of people, including banks, who make definite advances for wages or salaries in circumstances known to them which suggest that liquidation is imminent.

Both under the 1908 Act and the new Act the preferential claims have priority in England over the claims of debenture holders under any floating charge. This does not apply to a fixed mortgage or charge on specific assets, and in a case where a debenture comprised both a fixed charge as well as a floating charge, it was held that preferential claims were not payable in priority to the debenture holders so far as the assets the subject of the fixed charge were concerned. These points are material when you are preparing a statement of affairs where mortgages or charges are in existence.

Assembling the Figures.

You are now reaching the stage where you may commence to assemble the statement of affairs. Although, in the case of voluntary liquidation, it is not usual to supply schedules to the statement of affairs with full details of all the items, it is advisable to have the information available for the creditors' meeting. If you have proceeded on the lines I have indicated, you will have evidence, in tabulated form, to support every figure in the statement of affairs.

The books having been balanced and the other necessary work carried out, it is a comparatively simple matter with the help of your journal and other supporting information to complete the statement of affairs. When listing the debtors you will, of course, provide columns in which the amounts which may be expected to accrue according to whether the debts are deemed to be good, doubtful or bad, can be entered. The debts will have to be very carefully scrutinised, and you should be satisfied that ample provision has been made.

I do not propose to go into further detail regarding the actual preparation of the statement of affairs beyond saying that when completed it should be approved by the directors, whose statement it is. It is advisable to secure the signature of every director to the draft statement of affairs.

It is not always deemed necessary to supply a deficiency account with the statement of affairs. However, if you have balanced the company's books, and, if stock has been taken and valued on some such basis as I have suggested, it is a very simple matter to ascertain the trading loss suffered since the date of the last balance sheet, as distinct from the amount written off the stock for purposes of the statement of affairs. With this information available, the preparation of a deficiency account in the case of a company whose accounts have been audited regularly becomes comparatively easy. As you have prepared the statement of affairs you will have noted any special amounts written off assets or additional liabilities introduced.

The Creditors' Meeting.

The Companies Act, 1929, certainly suggests that the statement of affairs will be presented and explained to the creditors' meeting by the director nominated for that purpose, who will be in the chair, but, in fact, you may well find that you are called upon for a good deal of explanation. I think you will agree, however, that the course of action I have suggested automatically provides you with the wherewithal to deal with almost any situation or question which is likely to arise at the creditors' meeting.

In addition, you should have available particulars of the dividends which have been paid, if any, during the past six years, and particulars of the remuneration, whether in the shape of fees or otherwise, paid to the directors and principal officials. It very frequently happens that one or more of the directors is owing money to the company, and, if so, it is advisable to have a summarised copy of his account available, showing when the liability arose.

I am aware of many things on which I have only touched lightly. Some of them could be made the subject of a separate lecture, but I have tried to deal with the essentials, and now I must leave the subject, fully anticipating that, as a result of your efforts and the satisfactory manner in which you have prepared the statement of affairs and the explanations you will be able to give, the creditors will confirm your appointment as liquidator, and, in due course, when you have paid dividends to at least the extent anticipated by the statement of affairs, their committee will congratulate you and cheerfully agree to your remuneration.

Accountant Officers in the Royal Naval Reserve and the Royal Naval Volunteer Reserve.

From time to time vacancies arise for officers in the Accountant Branch of the Royal Naval Reserve and the Royal Naval Volunteer Reserve. It is understood that the Admiral Commanding Reserves desires that the Accountant Branches of the Reserves should have amongst their officers a number of gentlemen who are professional accountants in civil life.

A comprehensive pamphlet in regard to these vacancies is published by the Admiralty. Candidates, who must be between 21 and 25 years of age, should have had at least three years' experience in the profession and must be able to submit evidence of education and testimonials as to character and ability.

These commissions are not in respect of whole-time appointment, and officers in the R.N.R. or R.N.V.R. continue their occupations in civil life.

Should any members of the Society of Incorporated Accountants or candidates qualified for examination desire to make application for such commissions, further information can be obtained from the Secretary of the Society of Incorporated Accountants and Auditors [Paymaster-Commander A. A. Garrett, R.N.R. (retired)], Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.

Reviews.

The Law of Capital and Income. *3rd Edition. By W. H. Gover, LL.B., Barrister-at-Law. London: Sweet & Maxwell, Ltd., 2/3 Chancery Lane, W.C.2.* (220 *pp. Price* 12*s.* 6*d. net.*)

The respective rights of life tenant and remainderman in relation to trust estates present many difficulties, and those who are concerned with these matters will find in this book much useful information. Mr. Gover sets forth in plain language the effect of the rules which have been established by the judgments of the Courts, and in each case supports his view with a reference to reported cases and statutes. The subject is treated under such heads as Rents and Profits, Proceeds of Sale, Outgoings, Improvements, Costs and Expenses, whilst the chapter on Losses has been re-written in view of recent decisions. The book bears evidence of thorough knowledge of the subject and careful study of the precise effect of the legal decisions bearing thereon.

Modern Income Tax and Sur-Tax Practice. *By A. L. Boydon. London: Eyre & Spottiswoode (Publishers), Ltd., 6, Great New Street, E.C.4.* (710 *pp. Price* 30*s. net.*)

This is a comprehensive treatise dealing with Income Tax and Sur-Tax in all its aspects. The book is compiled in dictionary form, in addition to which it contains a full index. It presents in clear and precise form the principles of the law and practice of Income Tax and Sur-Tax, and is supported by the author's previous experience in the Inland Revenue Department. Part I gives a general explanation of the principles of taxation, and Part II constitutes the dictionary portion. The rest of the book deals specially with the affairs of private traders, partnership firms and companies.

An Introduction to Report Writing. *By W. Lumb, B.A. London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2.* (114 *pp. Price* 3*s.* 6*d. net.*)

The portions of this book which will appeal to accountants will be Chapter I, dealing with language and form in writing reports, and Chapter 6, which gives a specimen of an accountant's report on an investigation. In these chapters many useful hints will be found, both as to the contents of the report and the manner of stating it.

Death Duties Index and Summary. *By D. Gwyther Moore, Solicitor. London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2.* (34 *pp. Price* 2*s.* 6*d. net.*)

In this little book the matter is classified under a few main heads, with a thumb index which makes reference easy. The main divisions include Rates of Estate Duty, Property Chargeable, Exemptions, Aggregations and Method of Payment, supplemented by particulars as to colonial duties relief, and the effect of the enactments relating to legacy duty and succession duty. A list is also given of the official forms with the numbers by which they are officially designated. The information given is in every case brief and clear.

Ranking, Spicer and Pegler's Partnership Law. *Fifth Edition. By W. W. Bigg, F.C.A., F.S.A.A. London: H. F. L. (Publishers), Ltd., 19, Fenchurch Street, E.C.3.* (176 *pp. Price* 7*s.* 6*d. net.*)

This book is now well known in the accountancy profession and calls for no extended description. In the present edition much of the matter has been re-written and the book generally brought up to date by the inclusion of all decided cases of importance. It is well produced and the matter is conveniently classified. The appendix contains the Partnership Act, 1890, the Limited Partnerships Act, 1907, and the rules relating thereto, together with other legal enactments bearing upon partnership matters. The text of the Registration of Business Names Act, 1916, is also included.

Financial Examinations. *By F. W. Thornton. New York: American Institute Publishing Co., 135, Cedar Street.* (282 *pp. Price* $2.00 *net.*)

Some years ago the Federal Reserve Board, Washington, published in their *Bulletin* "Suggestions for the Preparation of Balance Sheet Statements" for the consideration of bankers, merchants, manufacturers, auditors and accountants. This was subsequently revised by the American Institute of Accountants and issued under the title of "Verification of Financial Statements." The intention was to standardise the forms of these statements submitted to bankers for credit purposes and to provide a programme for compilation and verification. The pamphlet dealt only with what is familiarly known as Balance Sheet Audits, and Mr. Thornton's book, whilst adhering to this limitation, amplifies the skeleton of procedure contained in the earlier publication. The subject is treated under the main heads appearing in a balance sheet and information is given as to the best method of verification. The original pamphlet as subsequently revised appears in full in the appendix.

Modern Accounting Systems. *2nd Edition. By W. D. Gordon, B.S. (Econ.), Professor of Accounting, University of Pennsylvania, and J. Lockwood, B.S. (Econ.), Associate Professor of Accounting in the same University. London: Chapman & Hall, 11, Henrietta Street, Covent Garden, W.C.2.* (482 *pp. Price* 25*s. net.*)

This book deals with American practice in relation to the accounts of building and loan associations, insurance companies, banks, stockbrokers, departmental stores, gas companies, railroads and municipalities and contains a great deal of useful information in relation to these classes of accounts. The text is supplemented by numerous forms and diagrams and provides a useful guide to anyone desiring information as to American accounting practice.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to and promotion in the Membership of the Society have been completed since our last issue:—

ASSOCIATE TO FELLOW.

THAL, ALEXANDER (Alex. Thal & Co.), United Buildings, 53-55, St. George's Street, Cape Town, South Africa, Practising Accountant.

ASSOCIATES.

BELL, HERBERT, Borough Treasurer's Department, Town Hall, Stockport.

BAINES, CHARLES KENNETH, County Treasurer's Department, County Offices, Preston.

DANIELS, ARTHUR EVANS, City Treasurer's Office, Exchange Buildings, Nottingham.

KEVILL, PETER, Clerk to Clarke, Clarkson & Howarth, 14, Winckley Square, Preston.

LANGFORD, EDWARD HENRY MOORE, Clerk to Cassleton Elliott & Co., 4-6, Throgmorton Avenue, London, E.C.2.

OLSON, ERNEST JOHN, Clerk to W. McIntosh Whyte & Co., Finsbury Pavement House, 120 Moorgate, London, E.C.2.

SCHISHKIN, VICTOR, Clerk to Clarke-Lens & Clarke-Lens, 76, Newgate, London, E.C.1.

SLATER, PHILIP, Clerk to W. G. Lithgow, Bank Chambers, 413, Lord Street, Southport.

WEBB, MAURICE WILLIAM, 60, Minard Road, Catford, London, S.E.6 (formerly Articled Clerk).

WILD, FRANK, County Accountant's Department, Kent County Council, Sessions House, Maidstone.

Correspondence.

RESTRICTION ON COMMENCING BUSINESS.

To the Editors *Incorporated Accountants' Journal.*

SIRS,—A public company obtained a certificate of commencement of business under sect. 94. At the time of audit, however, it was noticed that the declaration then made was defective inasmuch as there was no compliance with sub-clause (b) of sect. 94 requiring the directors to have paid on their shares a sum equal to those called on other shares. One of the directors had not paid in his allotment money. These shares have subsequently been forfeited. Is it the duty of the auditor to qualify his certificate to the shareholders at the time of the statutory report, or is it a matter of internal management, and as such a mere indication of the defect to the directors would suffice ?

ARCADIA.

[It is not understood how the company obtained a certificate of commencement of business unless the provisions of sect. 94 were complied with. If it is suggested that an incorrect declaration was made it is a matter for the Registrar of Companies and there is a liability to a heavy penalty. As regards the report for the statutory meeting, the duty of the auditor is clearly set out in sect. 113 (4) of the Companies Act, 1929, namely, that he must certify the correctness of the report so far as it relates to the shares allotted by the company, the cash received in respect of such shares, and the receipts and payments of the company on capital account.—EDS., *I.A.J.*]

DEPRECIATION AND OBSOLESCENCE.

To the Editors *Incorporated Accountants' Journal.*

SIRS,—There is a small, but important, slip in your October issue containing the report of my contribution to the discussion on the papers on Depreciation and Obsolescence, read at the International Congress on Accounting.

At the top of page 32, I am reported to have said, "the subject of depreciation, including obsolescence which could be treated separately from depreciation" ; this should read : which could *not* be treated separately from depreciation.

Yours faithfully,

London. P. D. LEAKE.

October, 1933.

Incorporated Accountants' Golfing Society.

The Autumn meeting of the society was held at Coombe Hill Golf Course on September 28th, when an enjoyable day was experienced by all present.

The competition in the morning was won by Mr. W. W. A. Couzens, 83—14=69. This was an excellent score, as the bogey for the course was 76.

The four-ball bogey competition in the afternoon was won by Mr. C. A. Taylor and Mr. B. L. Clarke-Lens, with 7 up on bogey.

The best aggregate score for the three meetings held during the season was won by Mr. W. W. A. Couzens with the net scores of 79+77+69=225.

During the season a knock-out competition was held. The prize for this, kindly presented by Mr. H. Townsend, was won by Mr. B. C. Godfrey. The competition was an innovation this year and proved a success, many of the matches being decided on the eighteenth and nineteenth greens.

The Capitalisation of Profits and the Issue of Bonus Shares.

A LECTURE delivered to the Incorporated Accountants' District Society of North Staffordshire by

MR. PERCY H. WALKER,

INCORPORATED ACCOUNTANT.

Mr. WALKER said : Before we can rightly consider the question of the capitalisation of profits, we must satisfy ourselves as to what we understand by the word "profits" and more especially profits available for distribution. What, then, do we understand by profits ? If we go back to the derivation of the word " profectus " meaning " progress," we get the truest possible meaning of the term profit, but once we start looking for a formal definition, we are confronted with a number of varying definitions or descriptions.

DEFINITION OF PROFITS.

From a perusal of a number of authorities, I find profits can be defined as : (1) accretions of capital ; (2) acquisition beyond expenditure ; (3) remuneration of abstinence ; (4) excess of earnings over expenses incurred in obtaining them ; (5) the gain resulting from employment of capital or labour ; (6) the difference between selling price and first cost plus expenses ; (7) the reward of services or the increment of capital value ; (8) the excess of revenue receipts over expenses properly chargeable to revenue account ; (9) the balance sheet must contain a fair statement of the liabilities, including paid-up capital and, on the other hand, a fair or *bona fide* value of all the assets, the balance in favour of the company being profits.

Ely, in his " Outlines of Economics," divides the term gross profit into : (*a*) replacement of wear and tear or fund for depreciation ; (*b*) insurance against risk and reserve fund ; (*c*) interest on capital ; (*d*) wages or superintendence ; (*e*) pure profit being the reward of exceptional ability or opportunities in production.

Such considerations as economic profits or the profits which accrue from the barter of, say, glass beads for elephants' tusks, six eggs for a loaf of bread or the case of the Russian Royalists who readily exchanged jewels for the necessaries of life and deemed the transaction profitable, hardly come within the scope of my paper this evening, but could very well be made the subject of an interesting economic discussion. The economic phase of profits is really outside the scope of our inquiries and I merely mention it in passing.

In a paper read some years ago before the Chartered Accountants' Students' Society, Mr. Lindsay Fisher gave a very good definition of what the accountant understands by profits. He stated that gross profits or, as he preferred to call them, gross earnings, were the balances shown at various intermediate points in the revenue accounts of a business, the positions at which such balances should be struck being a matter of discussion, whilst net profit was the final or real profit for the period after all various items of cost in connection with the manufacture, administration and distribution had been debited.

It has been suggested that the proper method of ascertaining the profits of a year is to value the assets of a company at the end of each year and its liabilities, including the liability to the shareholders for capital subscribed, and that the excess of assets over liabilities is the measure of profits. Where this rule can be applied it is a very safe method, but it is obvious that it is not applicable in all cases, as profits may exist although the

assets representing them have not been turned into cash, or, if not, then no value has been put upon them in the balance sheet. The legal definition, on the other hand, if one may take the ruling in the case of *Verner* v. *General Investment Trust*, on the question of payment of dividends as covering this point is different. Lord Justice Lindley stated that while the fixed capital may be sunk and lost, the excess of current receipts over current payments may be treated as profits available for distribution, but that floating or circulating capital must be kept up, as otherwise it will enter into and form part of such excess, in which case to divide such excess without first deducting the capital which forms part of it will be contrary to law. In the case of *Dent* v. *London Tramways*, Jessel, Master of the Rolls, said profits of the year, of course, mean the surplus in receipts after paying expenses and restoring the capital to the position it was in on January 1st in that year. The various cases on the point as to what is profit available for distribution, are endless, but I think that the cases that I have cited will give you the broad distinctions which must be borne in mind in considering the questions.

THE DISTRIBUTION OF PROFITS.

Having considered our definition of profits, let us now turn to how they can be dealt with. Generally speaking, they can be used for the payment of dividends, the writing off of depreciation and the setting up of reserve funds and for the reduction of paid-up capital. It is interesting, for a Cardiff accountant, in this connection to notice that one of the most important cases on the question of profits and their distribution was the case of *Dovey* v. *Cory* in 1901, arising out of the *National Bank of Wales* case. To those of you who are not familiar with the ruling of this case, the facts were as follows: "Mr. Dovey was the liquidator of the National Bank, which had been purchased and taken over by the Metropolitan Bank of England and Wales, and Mr. John Cory was for some years a director of the National Bank. A summons was taken out by the liquidator to render Mr. Cory liable to the contributaries for alleged misfeasance on three scores: (1) in paying dividends out of capital; (2) making improper advances to directors; (3) making improper advances to customers who were or who were reputed to be insolvent. The liquidator alleged that after discharging the liabilities of the National Bank and crediting it with the value of its assets and £110,000 as its goodwill, there remained a deficiency of assets amounting to £84,392, mainly because the dividends and other payments had been paid before adequate provision had been made for bad debts. Mr. Justice Wright had ordered Mr. Cory to pay £54,787, being the aggregate amount of the dividends paid during the period when he was a director, and 5 per cent. interest on each of the dividends, the Judge holding that these dividends were, in effect, paid out of capital, but he declined to make Mr. Cory liable for the improper advances to the directors and customers.

The case was taken to Court of Appeal, and the Master of Rolls exonerated Mr. Cory from all liability. The case was then taken further to the House of Lords, and judgment was given for Mr. Cory that, whilst there was no doubt that the balance sheets laid before the meetings of shareholders were not, to use the language of the Articles of Association, proper, still it was held that as Mr. Cory had acted *bona fide* he was entitled to rely on the officers of the company to prepare true and honest accounts. Lord Davey, concurring with the Chancellor, reaffirmed the statement in the case of *Verner* v. *General Commercial Trust*, and disagreed with the ruling of the Judges in the Appeal Court, who had stated that a joint stock company incorporated under the Companies Acts may write off to capital the losses incurred in previous years and may in any subsequent year, if the receipts for that year exceed the outgoings, pay dividends out of such excess without making up the capital account.

It was held in 1906, in the case of *Hinds* v. *Buenos Ayres Grand National Tramways*, that interest paid during the period of construction of a tramway might properly be treated as part of the cost of construction and charged to capital, and this was extended by sect. 91 of the Companies (Consolidation) Act of 1908, now incorporated in sect. 54 of the 1929 Act, which laid down definite rules as to what interest could be paid out of capital. This section reads as follows:—

"Where any shares of a company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the company may pay interest on so much of that share capital as is for the time being paid up for the period and subject to the conditions and restrictions in this section mentioned, and may charge the sum so paid by way of interest to capital as part of the cost of construction of the work or building, or the provision of plant:—

Provided that:—

(*a*) No such payment shall be made unless it is authorised by the Articles or by special resolution.

(*b*) No such payment, whether authorised by the Articles or by special resolution, shall be made without the previous sanction of the Board of Trade.

(*c*) Before sanctioning any such payment the Board of Trade may, at the expense of the company, appoint a person to inquire and report to them as to the circumstances of the case, and may, before making the appointment, require the company to give security for the payment of the costs of the inquiry.

(*d*) The payment shall be made only for such period as may be determined by the Board of Trade; and that period shall in no case extend beyond the close of the half-year next after the half-year during which the works or buildings have been actually completed or the plant provided.

(*e*) The rate of interest shall in no case exceed four per cent. per annum or such other rate as may for the time being be prescribed by Order in Council.

(*f*) The payment of the interest shall not operate as a reduction of the amount paid up on the shares in respect of which it is paid.

(*g*) The accounts of the company shall show the share capital on which, and the rate at which, interest has been paid out of capital during the period to which the accounts relate.

(*h*) Nothing in this section shall affect any company to which the Indian Railways Act, 1894, as amended by any subsequent enactment, applies."

Broadly speaking, the manner in which the profits of a company are divided between the whole of the shares, is governed by the Memorandum of Association, or if that is silent on the point, by the Articles, and a member can enforce against the company that the payment shall only be made in the manner laid down. If the only ruling on it, however, is in the Articles, it may be varied by Special Resolution.

In the case of *Lee* v. *The Neuchatel Asphalt Company*, it was laid down that depreciation of fixed assets such as buildings and fixed plant must be taken into account

before arriving at the profit of the year and as the Articles provided that dividends should only be paid out of profits, no dividend could be paid until such depreciation had been allowed.

As guidance for one's directors, one cannot do better than observe the following rules :—

(1) Every company should, as far as possible, provide for unexpected losses by creating a reserve fund.

(2) Provision should be made out of profits for replacing depreciating or wasting property, such provision being measured by the length of time during which the property may be reasonably expected to last and also similar provision for writing off all debts which become bad.

(3) Expenses such as ordinarily occur should be made the subject of insurance, the premiums being paid out of profits or a sum carried to an insurance fund.

(4) Where a loss occurs and the provision made in previous years is not sufficient to make good the amount, it would probably be held that no dividend could be paid until the loss is made good, although possibly the loss may be spread over several years, the company paying a reduced dividend meanwhile.

(5) Where the loss is so large that it cannot be made good out of profits within a reasonable period, the capital should be reduced with the sanction of the Court.

RESERVE FUNDS.

I think we can now pass on to the establishing of our reserve fund and how it may be dealt with. As already stated, it is desirable that a certain amount be set aside for the formation of a reserve fund each year. This is very often provided for in the Articles which sometimes state that a fixed proportion of the profit shall be set aside each year and even go so far as to give specific instructions as to how the fund is to be invested. A company does not require any special authority in its Articles to carry profits to reserve, but if the Articles specially declare that the profits are to be applied in certain proportions amongst the different classes of shareholders and contain no reference to a reserve fund, no part can be carried to reserve. Generally speaking, there are three ways in which the reserve can be dealt with :—

(1) Invested in some specified funds outside the business.

(2) Retained in the business for use as working capital.

(3) Capitalised if the Articles so provide.

I am afraid you will think that I have been a long time in coming to the subject matter of my paper, but I felt it was necessary to cover this preliminary ground in order to get a right understanding of the question.

CAPITALISATION OF PROFITS.

The first thing to consider in the question of the actual capitalisation of profits is to see what powers are given in this respect in the Companies Act. Prior to the passing of the 1929 Act, sect. 40 of the Act of 1908 laid it down that where a company had accumulated a sum of undivided profits, which, with the sanction of the shareholders may be distributed in the form of dividend or bonus, it may by special resolution return same or part thereof to the shareholders in reduction of the paid-up capital of the company, thereby reducing the unpaid capital. This was capitalising the profits and was really the only direct provision in the Companies Acts. This section was repealed in the 1929 Act, and there is now no such power. In the case of a private individual or partnership, the accumulated profits or losses being carried direct to the individual's or partners' accounts, the profits are automatically capitalised each year.

In the later period of the war and the boom period which immediately succeeded it, many companies with small capitals made very large profits and built up reserve funds which were out of all proportion to their issued capital. It therefore became quite a common thing for large amounts of these undivided profits to be capitalised and distributed amongst the members in the form of fully-paid bonus shares.

I do not wish you to think from this that this capitalisation of profits and issuing of bonus shares is a new thing, for the standard case on the matter is still that of *Sproule* v. *Bouch*, decided in 1887, in which a dispute arose between the tenant for life and the remainderman with regard to certain bonus shares issued by the Consett Iron Company as to whether the shares so received were income belonging to the tenant for life or capital which must be retained by the trustees for the benefit of present and future beneficiaries. The case went to the House of Lords and it was held that the question depended upon the action and intention of the company, and what it had declared to be capital was capital as between the parties interested in the trust estates of which the shares formed part. As you are doubtless aware, for some time the Commissioners of Inland Revenue endeavoured to treat shares so divided as part of the income of the recipients, and although it was admitted that income tax had been paid by the company, it was claimed that super tax was payable by the shareholders upon the face value of the shares they received.

Two cases were heard in the King's Bench Division on this point. In one, viz *Blott's* case, the Articles contained a provision that any general meeting declaring a dividend might direct payment by the distribution of paid-up shares of the company. What actually happened in this case was that a bonus of 33⅓ per cent. free of income tax was declared on the ordinary shares for the year 1914 and was satisfied by the distribution of 33,316 unissued second preference shares of £1 each credited as fully-paid, and a similar bonus was declared for the year 1915 and satisfied in like manner by the distribution of 50,000 unissued second preference shares credited as fully paid.

In *Greenwood's* case a bonus of £25,286 was satisfied in the year 1913 by the issue of 25,286 fully-paid ordinary shares and the allotment was made by the directors, who sent a notice to the shareholders stating that so many ordinary shares credited as fully-paid had been alloted for which the share certificate was enclosed, and a similar procedure was adopted in the years 1914, 1915, 1916 and 1917.

On neither of these occasions, neither *Blott's* case nor *Greenwood's* case, were the shareholders given any option of taking the bonus in cash, nor were they required to make any application for the shares. In *Blott's* case, an agreement was made between the company and a trustee for the shareholders that the shares should be treated as fully paid up by the bonus. Mr. Justice Rowlatt held that for the purposes of super tax the shares allotted as above could not be treated as part of the total income of the respective shareholders, as they were, in fact, an addition to their capital in the year in question, and this judgment was upheld by the Court of Appeal and by a majority in the House of Lords. It has now been decided that an option to take cash instead of shares (except, of course, to the extent to which the option is exercised) makes no difference in the position, and that the bonus may be satisfied by an

issue of debenture stock instead of shares without giving rise to a claim for super tax. It has been suggested that where no option is given to the shareholders to take the bonus in cash, the shares are *not fully paid* as against the company. This is a very important point in view of the ruling in the *Eddystone Marine Insurance* case, but where the Articles authorise the satisfaction of a dividend or bonus in fully-paid shares it seems that the declaration of the dividend or bonus makes the shareholder a creditor of the company for the amount of his proportion and that the release of his claim against the company for this amount is a good and sufficient consideration or set-off so as to make the shares fully paid, even though the release is, under the Articles, compulsory. It is usual in such cases to have an agreement made between the company and a trustee for the shareholders who receive the fully-paid shares that they shall be treated as fully paid, the bonus being applied for this purpose, and this is a wise course to pursue, although it is doubtful whether it is absolutely necessary.

The transaction can only be carried out where the Articles authorise the satisfaction of a dividend or bonus by the issue of fully-paid shares, or declare that the directors may apply any such dividend or bonus in paying up an equivalent amount of unissued shares, otherwise any shareholder can insist on receiving the amount falling to him in cash, in which case, no doubt, the amount would have to be counted in assessing the shareholder for super tax. On a winding-up, however, undivided profits of past years and of the year in which the winding-up occurs cease to be profits and become assets. No super tax or sur-tax is payable by shareholders upon the sums they receive under a distribution of assets in a winding-up.

It must always be borne in mind that a limited company, in order to increase its capital, must have definite authority for so doing in its Articles. If there is such authority, all that has to be done is to pass a special or extraordinary resolution according to the wording of the Articles, and in some cases even an ordinary resolution is sufficient and notice must be given to the Registrar within 15 days after the date of passing the resolution. This notice to increase the nominal capital must be registered within the time mentioned and not put off until the shares have been actually taken up. If, however, the Articles do not authorise an increase of capital, they must first of all be altered by a special resolution, and the increase can then be made in accordance with the terms of such resolution.

It is interesting to note that the fact of the two acts being done by a single special resolution does not invalidate the issue of the shares.

When capitalisation is contemplated it is essential to attend to the following points :—

(1) See that the reserve fund clause in the Memorandum or Articles authorises the payment of a bonus or dividend to the members and, if needs be, alter the clause.

(2) See that there is sufficient to the credit of the reserve fund to cover the dividend or bonus without diminishing the fund too much.

(3) See that the company has sufficient shares to satisfy the bonus and, if not, increase the capital to the required amount.

(4) See that the Articles authorise the satisfaction of a dividend or bonus by the issue of paid-up shares and, if not, alter them.

(5) If there is no such authority and it would be inconvenient to alter the Articles, see that the shares to be allotted in satisfaction are likely to be accepted by the allottee, that is, that the amount of the shares to be allotted is more than the allottee would get in cash, when there is not likely to be any objection.

(6) See that the transaction gives the members the unconditional right to take the bonus or dividend in cash, otherwise the transaction may not amount to a cash payment and it will therefore be necessary to file a contract constituting the title to the shares "allotted for consideration other than cash."

I had a case in my own experience in which there was no authority in the Articles to capitalise profits. A resolution was passed giving authority to the company to capitalise from time to time the whole or any part of the profits of the company standing to the credit of the company's reserve fund. On the strength of this authority and without any further resolutions being passed, fully paid shares were allotted to the existing shareholders up to the amount of the reserve fund. The Registrar held that there was no cash consideration for the allotment, and wanted an agreement to be lodged with him showing the consideration. On looking into it it was found that, although the company had passed a resolution giving it power from time to time as the shareholders in general meeting may consider advisable to capitalise its undivided profits standing to the credit of its reserve fund and in pursuance of the resolution had issued the bonus shares, no general meeting of the shareholders had been held, so that the issue of the shares as bonus shares was bad.

There was no power given by the Articles to make a distribution of bonus shares amongst the shareholders, so the distribution also was bad, and as sect. 88 of the Companies Act (now sect. 42, sub-sect. (1) *B* of the 1929 Act) lays down that the company must file, in addition to the usual return of allotments, a contract in writing in respect of the consideration other than cash and this had not been filed, the allotment was bad as subsequent contract could not constitute the title to the allotment.

Counsel's opinion was taken on the matter, and he advised that there was no power for the company to apply the reserve fund in the way they had done, and the shareholders would be liable, in the event of a winding-up, to pay in full for the shares issued to them under the resolution, this, of course, in view of the rulings in the *Eddystone Marine Insurance Company* and the *Eastern and Australian Steamship Co., Ltd., and reduced.* The application being *ultra vires*, the transaction could not be converted by a subsequent resolution as the unanimous consent of the shareholders could not confirm an act *ultra vires* the company into an act *intra vires*, and a purported ratification would be inoperative (the case *Ashbury* v. *Rich*).

He stated that if the irregularity had been discovered before the shareholders had taken any benefit from the shares, it was probable that the Court would rectify the register by striking off the names of the shareholders in respect of those shares, but the question arose as to whether it was too late to obtain that relief and whether the Court would hold that by the acceptance of the shares and the benefits attached thereto, the shareholders were under an obligation to pay for the shares and that their names could not be removed from the register. It was suggested, therefore, that application be made to the Court to cancel the shares, which would involve the reduction of the share capital by the extinguishment of the liability of the holders of the shares in respect of the whole of the capital of such shares, which application

could be effected by a special resolution of the company confirmed by the Court. Before the Court would confirm such reduction, it would have to be satisfied that every creditor had been paid in full or had assented to the reduction. After the reduction had been confirmed the company would alter its Articles so that it would have power to issue bonus shares, and then a new issue of bonus shares could be made and a proper contract filed with the Registrar under sect. 88 of the Act of 1908 (now sect. 42, sub-sect. (1) *B*). If the unissued capital was insufficient to admit the issue of such bonus shares, it could be increased in the usual way before any steps were taken to issue bonus shares.

This was a very complicated method but it did afford a method whereby the shareholders might be relieved from the liability to pay in full for the bonus shares in a winding-up.

An alternative method was suggested, viz, that the company in general meeting might authorise the directors to declare a bonus at the rate of 100 per cent. per share free of income tax on each of the bonus shares which had been issued, and to satisfy such bonus by payment of the calls which should be authorised and made on these shares. A contract would afterwards be entered into between the company and all the holders of the shares, which could be filed with the Registrar. This method would be quite satisfactory provided none of the shares had changed hands since they were allotted, so that the reserve fund remained distributed equally between the shareholders registered in the books of the company, otherwise any shareholder receiving no benefit could object to the scheme and apply to the Court to prevent the scheme being effected.

The only other alternative was to treat the original allotment as having been validly made and to apply to the Court for an extension of time to file a contract constituting the title of the allottees. Upon such an application the validity of the allotment would not be likely to be considered by the Court and permission would be given to file the contract.

If, in the event of a winding-up the liquidator thought fit to require payment in full on these shares, his claim might be opposed with some prospect of success on the ground that the company, having been authorised to capitalise the reserve fund by the special resolution, the allotment of the shares was a valid exercise of this power and the shares must be treated as being fully paid up. What was actually done was that an application was made to the Court and an order made to strike the names of the shareholders off the list. The shares were then re-issued in the correct manner.

Having obtained authority for the increase of capital, the next question to be considered is the actual steps that have to be taken to utilise our reserves for the purpose, and how the shares are to be actually issued. First of all, the shareholders pass a resolution to the effect that it is desirable to capitalise a definite stated sum, being part of the undivided profits of the company standing to the credit of the company's reserve fund, and accordingly that same be distributed as a bonus amongst the holders of the ordinary shares in proportion to the ordinary shares held by them respectively, and the directors are authorised to distribute among them the same stated number of unissued ordinary shares.

The next step is for the directors of the company to pass a resolution stating that, pursuant to the before-mentioned resolution, the said stated sum being part of the undivided profits of the company standing to the credit of the company's reserve fund, be distributed as a bonus amongst the holders registered on the..... day of.....of the ordinary shares in the company's capital in proportion to the ordinary shares held by them respectively, and that the said stated number of unissued ordinary shares be in accordance with the said resolution distributed amongst them in like proportions and that pursuant to paragraph....of the Articles of Association, A.B., of.....be and is hereby authorised, on behalf of the holders of the ordinary shares in the company's capital on the.....day of .....to enter into an agreement with the company providing for the allotment to them as nearly as may be in due proportion of the said stated number of shares credited as fully paid up and in satisfaction of the said bonus and that the draft of the said agreement submitted to this meeting be and the same is hereby approved, and that the seal of the company be affixed to such agreement as and when the same shall have been signed by A.B.

After the agreement has been signed, a further resolution is passed that.....ordinary shares in the capital of the company be allotted in accordance with the provisions of the said agreement and that letters of allotment thereof submitted to the meeting be signed by the secretary and sent out. A further resolution is usually passed to the effect that the bonus be declared and made payable free of income tax.

It will be seen that what we are doing in effect is having obtained authority to increase our share capital, we are distributing our reserve fund in cash and using such cash to pay for the shares which we have allotted.

The object of the agreement is that whoever is appointed as the nominee of the shareholders simply agrees on behalf of himself and all the holders that the company shall allot and issue the shares, that the shares shall be fully paid, that they shall be accepted by the respective shareholders in satisfaction of all their rights and interest in the reserve fund, and prevents any dispute arising afterwards. This agreement is to be filed with the Registrar within one month of the date of allotment, and our bonus issue is then complete.

I have only dealt so far with the question of the issue of bonus shares by the capitalisation of profits, but it often occurs that where a company is formed to take over an existing business, certain bonus shares are allotted to the promoters as consideration of their services in connection with the promotion, or, in the case of an amalgamation between two existing companies or the absorbing of one company by another, certain bonus shares are allotted to one or other of the companies. In either of these cases the position is quite different, as there can be no question of the shares having been paid for in cash by the tax-free bonus dividend. A contract must, therefore, be filed with the Registrar showing the consideration for which such shares have been given. Payment in money's worth is sufficient, providing the contract is duly made and filed. This consideration may be the extinction of a debt due from the company to the shareholders, even though it is not payment in cash and any circumstances creating a set-off or an agreement to render services such as becoming manager for a stated period may be good consideration.

Turning again to the ***Eddystone Marine Insurance Company*** case, we get the ruling that it is obviously beyond the power of a limited company to release a shareholder from his obligation without payment of money or money's worth. It cannot give fully-paid shares for nothing and preclude itself from requiring payment for them in money or money's worth, nor can a company deprive

itself of its right to future payment in cash by agreeing to accept future payments in some other way.

It cannot substitute an action for the breach of a special agreement for statutory action for non-payment of calls. The distinction is rather fine, but it was held in *Perrett's* case, and also the case of *Ex parte Clark*, that an agreement to accept the supply of goods at a future time against the calls due is not valid, but in the action of *Gardner* v. *Iredale* an agreement by the company to pay a sum of money at once for future services, as, for example, the erection of a building, and to satisfy the amount by an issue of fully-paid shares, may be good consideration for the issue of the fully-paid shares.

The whole question turns on the principle that the company cannot make as payment for shares allotted a contract which is not good consideration in law, that is to say, a company cannot allot shares in respect of past services, as past services are not good consideration in law. Also, a contract to issue shares at a discount, that is, for a less sum than the whole nominal value, is not valid, but under sect. 47. of the 1929 Act a discount may be allowed on the issue of shares of a class already issued, subject to certain conditions. The issue of such shares at a discount must be authorised by resolution of the company in general meeting and be sanctioned by the Court; the resolution must state the rate of discount, and not less than one year must have elapsed since the date on which the company was entitled to commence business, and the shares to be issued at a discount must be issued within one month after the date on which the issue was santioned by the Court or such extended time as the Court may allow. If there is genuine consideration in kind, the Court will not, as a rule, inquire into its value and in effect the company can agree to purchase property and pay for services at any price it thinks proper and may make the payment in shares, provided that it does so honestly and not colourably, and has not been so imposed upon as to be entitled to repudiate the bargain. If it is designed to impugn the transaction, it can only be done in an action to set it aside and not by seeking to treat the shares as unpaid.

The subject is a big one, and one that bristles with difficulties, and it cannot be too strongly urged that any accountant who is dealing with a bonus issue should not only acquaint himself with the general principles on the matter, but should take the best legal advice on the special circumstances connected with his case.

Dublin Incorporated Accountants' Students' Society.

Syllabus of Lectures, 1933-34.

1933.

Oct. 2nd. Papers by Students.

Oct. 23rd. "Verification of Assets and Liabilities in a Balance Sheet" by Mr. R. L. Reid, A.S.A.A.

Nov. 13th. "Back Duty Cases," by Mr. T. R. Beddy, A.S.A.A.

Dec. 4th. "Concerning Transfers of Shares," by Mr. A. J. Walkey, F.S.A.A.

1934.

Jan. 8th. "Partnership Law," by Mr. W. B. Butler, B.L.

Jan. 26th. "The Stock Exchange and its Operations," by Mr. C. R. R. Magrath, F.C.R.A.

Feb. 21st. "Commonsense in Economics," by Mr. G. J. T. Clampett, B.L.

Mar. 5th. Debate with Dublin Society of Chartered Accountants (Student members).

District Societies of Incorporated Accountants.

LONDON.

The following arrangements have been made for the month of November:—

Nov. 3rd. A Reception and Dance will be held at Incorporated Accountants' Hall from 8.30 p.m. to 1.30 a.m.

Nov. 21st. Lecture by Lord Melchett on "Accountancy Methods as a factor in the Economic System." The lecture will be held at Incorporated Accountants' Hall at 6 p.m. The Chairman of the District Society, Mr. Joseph Stephenson, F.S.A.A., will preside.

BENGAL.

Two meetings were held during September. Lectures were deliverd by Mr. M. L. Tarmaster, F.S.A.A., on "Home Truths and Scraps from an Auditor's Diary," and by Mr. S. K. Dutt Roy, of the East Indian Railway, on "Railway Finance and Accounting System in India."

Both lectures were well attended by Incorporated Accountants and students, and were followed by interesting discussions.

BIRMINGHAM.

Syllabus of Lectures, 1933-34.

1933.

Oct. 13th. "Competitive Currency Depreciation," by Professor J. H. Jones, M.A., Professor of Economics at Leeds University. *Chairman:* Mr. E. T. Kerr, F.S.A.A., President. The Institute of Bankers and the Birmingham Society of Chartered Accountants have been invited to this lecture, which will be held at the Chamber of Commerce.

Nov. 3rd. "Industrial Psychology and Common Sense," by Mr. L. I. Hunt, B.A., of the National Institute of Industrial Psychology. *Chairman:* Mr. T. Hannibal, F.S.A.A. The Institute of Cost and Works Accountants have been invited to this lecture.

Dec. 4th. Dinner at Queen's Hotel.

1934.

Jan. 11th. "The Exchange Equalisation Account," by Mr. H. E. Evitt. This lecture will be held at the Chamber of Commerce and is by the invitation of the Institute of Bankers.

Jan. 12th. "Costing Investigations," by Mr. D. Cousins, B.Com., A.C.A. By invitation of the Institute of Cost and Works Accountants.

Jan. 26th. Mock Income Tax Appeal.

Feb. 9th. "Electricity Finance," by Mr. H. F. Carpenter, F.S.A.A. *Chairman:* Mr. E. T. Brown, F.S.A.A.

Feb. 23rd. "Income Tax Reliefs in Respect of Losses," by Mr. H. A. R. J. Wilson, F.S.A.A. *Chairman:* Mr. D. E. Campbell, F.S.A.A. The Chartered Institute of Secretaries have been invited to this lecture.

Mar. 14th. "Holding Companies and the Preparation of their Accounts," by Mr. R. P. Anderson, A.C.A. By invitation of the Chartered Institute of Secretaries.

HULL.

(STUDENTS' SECTION.)

Syllabus of Lectures, 1933-34.

1933.

Oct. 6th. "Mercantile Law," by Mr. C. A. Sales, LL.B., F.S.A.A.

Oct. 20th. "Examination Suggestions and Hints," by Mr. F. R. Cartwright, LL.B.

Nov. 3rd. Students' Night. Three Ten Minute Papers.

Nov. 17th. "Economics after the World Conference," by Mr. F. J. Lewcock, A.C.I.S., F.R.Econ.S.

Dec. 1st. "Income Tax," by Mr. S. A. Spofforth, A.S.A.A.

Dec. 15th. "Executorship Accounts," by Mr. A. Lord, A.S.A.A.

1934.

Jan. 12th. "Partnership Law and Accounts," by Mr. Walter W. Bigg, F.C.A., F.S.A.A.

Jan. 26th. "Auditing," by Mr. W. Munro, A.S.A.A.

Feb. 9th. "Company Law," by Mr. E. Westby-Nunn, B.A., LL.B.

Feb. 23rd. "Economics of Costing," by Mr. W. H. Stalker, A.S.A.A.

Mar. 9th. "Secretarial Law and Practice," by Mr. J. Harwood, A.S.A.A., F.C.I.S.

Mar. 23rd. Students' Night. "Bankruptcy." Preceptor: Mr. D. Morgan, A.S.A.A.

All meetings will be held at Paragon House, Paragon Street, Hull at 7.15 p.m.

MANCHESTER.

On October 24th, Mr. H. Burton, B.A., Barrister-at-Law, delivered an address on "Law Reform." He said he did not agree with the suggestion made recently in the *Manchester Guardian* that a Minister of Justice should be appointed. He also contended that judges should remain entirely separate from Parliament.

With regard to the Assizes, he considered it a good thing that people should see the legal pomp which attended them and the administration of justice as it was carried out by them. There should, however, be definite dates fixed beforehand for hearing cases. In the King's Bench Division and the Chancery Division the trouble was that there were not enough judges. There were not enough competent young barristers willing to sacrifice highly remunerative practices for the ridiculously low salaries paid to judges.

STUDENTS' SECTION.

On October 13th the Students' Section of this Society held a successful mock shareholders' meeting. The subject-matter was interesting and instructive as well as amusing, and the clever way in which the accounts had been prepared and the nature of question and answer contributed to an enjoyable and interesting meeting.

NEWCASTLE-UPON-TYNE.

The inaugural meeting of the session of the Incorporated Accountants Newcastle-upon-Tyne and District Society was held on October 2nd, in the Society's new headquarters at 15, Grainger Street West, Newcastle-upon-Tyne. The President, Councillor W. H. Stalker, A.S.A.A., formally opened the new headquarters, which have been furnished as a lecture hall and library, and will also be available for the use of members as a reading and writing-room. A well stocked library of professional books has been provided.

A lecture was then given by the Official Receiver, Mr. F. C. Wells, on the subject of Bankruptcy. The lecture was followed by an interesting discussion in which several members took part.

Syllabus of Lectures, 1933-34.

1933.

Oct. 2nd. "Bankruptcy," by Mr. F. C. Wells, Official Receiver, Newcastle.

Nov. 15th. "That Modern Conditions tend to Laziness." Debate with Middlesbrough Students.

Nov. 24th. Annual Dinner, at Royal Station Hotel.

Dec. 11th. "The London Money Market," by Mr. C. R. Curtis, M.Sc. (Econ.). (Joint meeting with the Incorporated Secretaries' Association.)

1934.

Jan. 9th. "The Douglas System of Credit Control," by The Most Hon. The Marquis of Tavistock (in the Connaught Hall).

Jan. 19th. Mock Income Tax Appeal.

Feb. 6th. "Income Tax Loss Appeals," by Mr. V. H. M. Bayley, A.C.A., A.S.A.A.

Mar. 6th. "The Rights and Duties of an Auditor under the Companies Act, 1929," by Mr. Norman Harper, Barrister-at-Law.

Lectures and meetings will be held at Newcastle-upon-Tyne at Society's Lecture Room, 15, Grainger Street West (unless otherwise stated).

(MIDDLESBROUGH STUDENTS' SECTION.)

1933.

Oct. 18th. "Receivers," by Mr. C. L. Hamer, F.S.A.A. *Chairman:* Mr. M. H. Groves, A.S.A.A.

Nov. 1st. Mock Income Tax Appeal.

Nov. 28th. "Guarantees," by Mr. R. M. Beckwith, Solicitor. *Chairman:* Mr. R. Sutcliffe, F.S.A.A.

Dec. 12th. "The Progress of Mechanical Book-keeping," by Mr. C. Ralph Curtis, M.Sc. (Econ.). *Chairman:* Mr. T. F. G. Rowland, F.S.A.A.

1934.

Jan. 17th. "Internal check and audit of the Accounts of a Local Authority," by Mr. R. Sutcliffe, F.S.A.A., Borough Treasurer of Middlesbrough. *Chairman:* Mr. G. Dobson Wright, A.S.A.A.

Jan. 31st. "That a Reserve Fund should be represented by Investments outside the business." Debate with Newcastle Students.

Feb. 13th. "Debentures," by Mr. R. M. Beckwith, Solicitor. *Chairman:* Mr. C. Percy Barrowcliff, F.S.A.A.

Feb. 28th. "Some Points in Insolvency," by Mr. C. Percy Barrowcliff, F.S.A.A. *Chairman:* Mr. C. L. Hamer, F.S.A.A.

Mar. 14th. Short Papers by Student Members. *Chairman:* Mr. T. E. Dent, F.S.A.A.

The meetings will be held at Hinton's Café, Corporation Road, Middlesbrough, at 7 p.m.

SHEFFIELD.

Syllabus of Lectures, 1933-34.

1933.

Oct. 25th. "The Gold Standard," by Mr. A. P. Bardell, F.S.A.A. At the Reform Club, Sheffield.

Nov. 15th * "Income Tax and Sur-tax," by Mr. A. W. Rawlinson, F.C.A. At Norris Deakin Buildings, King Street, Sheffield.

Nov. 30th. Debate with the Bradford District Students' Society, at Bradford. Subject to be announced later.

Dec. 6th. Student Society's Dance. At Nether Edge Hall, Sheffield.

Dec. 11th. † "The Quota System with Special Reference to the Coal Industry," by Mr. J. T. Rankin, C.A. At Medical Library University, Sheffield, at 6.15 p.m.

1934.

Jan. 16th. * "The Way to Prosperity," by Prof. Douglas Knoop, M.A. At Norris Deakin Buildings, King Street, Sheffield.

Jan. 31st. "The Interpretation of Accounts," by Mr. W. Bertram Nelson, F.S.A.A. At the Reform Club, Sheffield.

Feb. 8th. Debate between Doncaster and Sheffield Students, at Doncaster. Subject to be announced later.

Feb. 22nd. "Economics of Costing," by Mr. W. H. Stalker, A.S.A.A. At the Reform Club, Sheffield.

Feb. 27th. District Society's Dance. At Nether Edge Hall, Sheffield.

Mar. 12th. "Municipal Accounting, with Demonstrations," by Mr. A. B. Griffiths, F.S.A.A. (City Treasurer), President Sheffield District Society. At the Town Hall, Sheffield.

Meetings commence at 6.30 p.m.

* Joint Lecture with the Local Centres of the Institute of Chartered Accountants, Chartered Secretaries and Institute of Bankers.

†Joint Lecture with the Institute of Public Administration.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

The session 1933-34 was opened on October 12th, with a lecture by Mr. R. C. L. Thomas, F.S.A.A., President of the District Society. The chair was occupied by Mr. V. F. Alban, A.S.A.A., and there was a good attendance of students.

Mr. Thomas spoke on "The services of Accountants in relation to duties and liabilities of executors and trustees." He dealt with the origin and development of death duties, the will and choice of executors, estate duty accounts, division of the residue of estates and the audit of estate accounts. An animated and helpful discussion followed, to which Mr. Thomas replied. One of the most successful opening meetings for a number of years concluded with a hearty vote of thanks to the President.

Syllabus of Lectures, 1933-34.

1933.

Oct. 5th. At Cardiff. "Bankruptcy," by Mr. W. J. Back, A.S.A.A.

Oct. 12th. At Cardiff. "The Services of Accountants in relation to Duties and Liabilities of Executors and Trustees," by Mr. R. C. L. Thomas, M.C., F.S.A.A. (President of the District Society).

Oct. 20th. At Newport. "The Relation between Banker and Customer," by Mr. R. B. Dyer (Manager, Lloyds' Bank, Ltd., Newport).

Nov. 1st. At Newport. "Income Tax, with Special Reference to the Domicile and Residence of Corporations," by Mr. A. Goldstein, LL.M., H.M. Inspector of Taxes.

Nov. 9th. At Cardiff. Mock Meeting of Shareholders on Income Tax Appeal.

Nov. 30th. At Cardiff. "The Law and Practice relating to Company Meetings," by Mr. Albert Crew, Barrister-at-Law.

1934.

Jan. 11th. At Cardiff. "Some Practical Points on Banking," by Mr. H. B. Meredith (Barclay's Bank, Ltd.).

Jan. 25th. At Newport. "The Economics of Costing," by Mr. W. H. Stalker, A.S.A.A., (President, Newcastle-upon-Tyne District Society).

Feb. 14th. At Cardiff or Newport. Joint Debate, Cardiff and Newport Students.

Feb. 21st. At Cardiff. "Some Recent Changes in Income Tax Theory and Practice," by Mr. Francis Hole, Fellow of the Institute of Taxation.

Mar. 15th. At Cardiff. Tour of establishment of *Western Mail and Echo, Limited*, Cardiff.

April 20th. At Newport. Lecture to be arranged.

CARDIFF STUDENTS.

Meetings in connection with the Cardiff Students' Prize Essay Scheme will be held on October 26th, November 23rd, December 14th, 1933, and February 1st and March 1st, 1934.

NEWPORT STUDENTS.

Meetings in connection with the Newport Students' Prize Essay Scheme will be held on November 17th and December 15th, 1933, and January 19th, February 16th, and March 16th, 1934.

SWANSEA AND SOUTH-WEST WALES.

Syllabus of Lectures, 1933-34.

1933.

Oct. 18th. "Present-day Economic Problems," by Mr. Alfred E. Pugh, F.S.A.A. *Chairman*: Mr. A. E. Goskar, F.S.A.A.

Nov. 15th. "Wages and Costing in the Coal Mining Industry," by Mr. J. Picton James, O.B.E., F.S.A.A.

Dec. 13th. Joint Debate with Institute of Municipal Treasurers and Accountants. *Chairman*: Mr. W. H. Ashmole, F.S.A.A.

1934.

Jan. 24th. "Process Costing," by Mr. W. H. Stalker, F.S.A.A. *Chairman*: Mr. W. H. Charles, F.S.A.A.

Feb. 21st. "Income Tax—the main points arising in the computation of the liability of an Industrial Undertaking," by Mr. Gregory Winsor, A.S.A.A., Inspector of Taxes. *Chairman*: Mr. G. Brinley Bowen, F.S.A.A.

Mar. 14th. "Education for Commerce and Industry," by Mr. H. J. Thomas, M.Com.

Mar. 28th. "Some Points in Litigation," by Mr. D. Gethin Williams, LL.B. *Chairman*: Mr. H. Dixon Williams, F.S.A.A.

Apr. 11th. Group Discussion by Members. *Chairman*: Mr. A. E. Goskar, F.S.A.A.

Meetings will be held at the Guildhall, Swansea, unless otherwise notified. Those held on October 18th, November 15th, January 24th and March 14th will be joint meetings with the Institute of Cost and Works Accountants.

WEST OF ENGLAND.

Syllabus of Lectures, 1933-34.

At the Royal Hotel, Bristol, at 6 p.m. :—

1933.

Nov. 6th.—"Clients' Moneys and Accounts," by Mr. R. A. Witty, F.S.A.A. (member of Council). *Chairman:* Mr. S. Foster, F.S.A.A.

Nov. 20th.—"Debentures," by Mr. E. W. W. Veale, LL.D. (Lond.). *Chairman:* Mr. F. P. Leach, F.S.A.A.

Dec. 4th.—"Alterations of Capital and Reconstructions," by Mr. E. Westby-Nunn, B.A., LL.B. *Chairman:* Mr. G. J. Barron Curtis, F.S.A.A.

1934.

Jan. 8th.—"Income Tax, with Special Reference to Sect. 32," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. *Chairman:* Mr. C. B. Steed, F.S.A.A.

Jan. 22nd.—"Economics in Real Life," by Mr. C. R. Curtis, B.Sc.(Econ.) *Chairman:* Mr. H. O. Johnson, F.S.A.A.

Feb. 12th.—"Voluntary Liquidations," by Mr. C. A. Sales, LL.B.(Lond.), F.S.A.A. *Chairman:* Mr. C. W. Clark, F.S.A.A.

Feb. 26th.—Mock Creditors' Meeting.

At the Guildhall, Gloucester, at 5.45 p.m. :—

1933.

Dec. 5th.—"Alterations of Capital and Reconstructions," by Mr. E. Westby-Nunn, B.A., LL.B. *Chairman:* Mr. D. G. Price, F.S.A.A.

1934.

Jan. 23rd.—"Economics in Real Life," by Mr. C. R. Curtis, B.Sc.(Econ). *Chairman:* Mr. J. S. Dudbridge, J.P., F.S.A.A.

Feb. 13th.—"Voluntary Liquidations," by Mr. C. A. Sales, LL.B.(Lond.), F.S.A.A. *Chairman:* Mr. S. Dudbridge, F.S.A.A.

At Goodbody's Café, Bedford Street, Plymouth, at 7.30 p.m. :—

1933.

Nov. 16th.—"Insurance," by Mr. R. K. Saul, F.C.I.I. *Chairman:* Mr. S. H. Roberts, F.S.A.A.

Dec. 15th.—"Trading Losses and Schedule D," by Mr. S. A. Dunn, Inspector of Taxes. *Chairman:* Mr. Percival White, F.S.A.A.

1934.

Jan. 8th.—"Receivers for Debenture Holders," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law. *Chairman:* Mr. W. J. Ching, F.S.A.A.

Jan. 19th.—"Powers and Duties of Directors," by Mr. C. A. Sales, LL.B.(Lond.), F.S.A.A. *Chairman:* Mr. W. G. Haydon, A.S.A.A.

Feb. 1st.—"Organisation of an Accountant's Office," by Mr. E. P. Wilkinson, A.C.A. *Chairman:* Mr. A. J. Northcott, F.S.A.A.

Feb. 19th.—"Recent Development in Banking Theory and Practice," by Mr. C. L. Lawton, B.Sc.(Econ.), A.C.A., A.S.A.A. *Chairman:* Mr. G. E. L. Whitmarsh, A.S.A.A.

Mar. 12th.—"Capital Reductions and Reconstructions," by Mr. C. E. Perry, F.C.A., F.S.A.A. *Chairman:* Mr. P. D. Pascho, A.S.A.A.

YORKSHIRE.

Syllabus of Lectures, 1933-34.

1933.

Oct. 3rd. "Some Impressions of the 4th International Congress on Accounting," by Mr. Thomas Keens, F.S.A.A. (Member of the Council). *Chairman:* Mr. Thomas Hayes, F.S.A.A. (President).

Oct. 17th. "Practical Costing," by Mr. R. Glynne Williams, A.C.A., F.R.Econ.S. Held in the Y.M.C.A., John William Street, Huddersfield. *Chairman:* Mr. Owen Avison, F.S.A.A.

Oct. 31st. "What your Banker wants to Know About You," by Mr. F. J. Lewcock, A.C.I.S., A.I.B. (Editor of *Branch Banking*). *Chairman:* Mr. Arthur France, F.S.A.A. (Past President).

Nov. 14th. "Income Tax," by Mr. Stanley A. Spofforth, A.S.A.A. *Chairman:* Mr. W. Gaunt, F.S.A.A.

Nov. 28th. "Executorship Accounts with Regard to Apportionment," by Mr. W. H. Grainger, F.S.A.A. *Chairman:* Mr. Alfred Schofield, A.S.A.A.

Dec. 12th. "Valuation of Unquoted Shares for Death Duty and other Purposes," by Mr. H. A. Perkis, A.S.A.A., A.C.A. *Chairman:* Mr. Tom Revell, F.S.A.A. (Past President).

1934.

Jan. 16th. "Voluntary Liquidation," by Mr. J. H. Bromley, Solicitor, Leeds. *Chairman:* Mr. Fredk. Holliday, F.S.A.A. (Member of the Council and Past President).

Jan. 23rd. "Income Tax," by Mr. Victor Walton, F.C.A. Held at the Y.M.C.A., John William Street, Huddersfield. *Chairman:* Mr. Norman Hoyle, A.S.A.A.

Jan. 30th. "Income Tax," by Mr. Victor Walton, F.C.A. *Chairman:* Mr. George Astle, A.S.A.A.

Feb. 13th. Joint Meeting with the Incorporated Accountants' Bradford and District Society, at 7.30 p.m. (Subject later.) *Chairman:* Mr. Alfred Walton, F.S.A.A., F.C.A. (Past-President).

Feb. 27th. "The Economics of Costing," by Mr. W. H. Stalker, A.S.A.A. *Chairman:* Mr. Wm. Tate, F.S.A.A. (Past-President).

Mar. 6th. "The Interpretation of Accounts," by Mr. W. Bertram Nelson, F.S.A.A. *Chairman:* Mr. H. Threlfall, A.S.A.A.

Mar. 20th. "The Importance of P. & L. A/c. compared with Balance Sheet from an Investor's Point of View." Joint Meeting with the Chartered Institute of Secretaries (West Yorkshire Branch), at 7.0 p.m. *Chairman:* Mr. F. Harrison, F.S.A.A. (Senior Vice-President).

All lectures are held at the Hotel Metropole, King Street, Leeds, at 6.30 p.m., unless otherwise stated.

Changes and Removals.

Messrs. Carruthers, Tucker & Higgerty, of Shell House, Rissik Street, Johannesburg, announce that they have opened a branch office in Durban, where Mr. E. A. M. Hudson will be the resident partner. The practice will be carried on in Durban under the name of Carruthers, Tucker, Higgerty & Hudson at 19-20, Cato House, Smith Street. In Johannesburg, Mr. D. C. Carruthers, A.S.A.A., has been admitted as a partner and the name of the firm will remain unchanged.

Mr. Tudor Davies, F.S.A.A., Bridgend and Cardiff, advises that he has taken Mr. Ivor Davies, A.S.A.A., into partnership for the Cardiff area. The Cardiff firm will be known as Davies & Davies, Incorporated Accountants, 98-100, Queen Street, Cardiff. Mr. Tudor Davies will continue his practice in Bridgend under his own name.

Mr. E. Irvine Hallas, A.C.A., has removed to 55, Tyrrel Street, Bradford.

Messrs. Kidger, Greenland & Co., intimate that Mr. T. S. Sanders, A.C.A., A.S.A.A., has retired from the firm and that the practice will be carried on by the remaining partners at Priory Buildings, Union Street, Oldham.

Messrs. Slattery & White, Incorporated Accountants, announce that the partnership has been dissolved. Mr. F. W. Slattery, F.C.A., A.S.A.A., will in future practise on his own account under the style of Slattery & Co., Chartered Accountants. at 14, Clarges Street, London, W., and Mr. H. E. White, F.S.A.A., will practise on his own account under the style of Henry White & Co. Incorporated Accountants, at the same address, and at Gresham Chambers, 40, High Street, Maidstone.

In consequence of the death of Mr. F. W. Stephens, the senior partner in the firm of F. W. Stephens and Co., of 15-17, Eldon Street, London, E.C., the practice will be carried on under the same name by the surviving partner, Mr. W. A. Pepper, F.C.A., A.S.A.A.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Meeting of Branch Council.

A meeting of the Council of the Scottish Branch was held in Glasgow on 20th ult. There were present Mr. J. Stewart Seggie (President of the Branch); Dr. John Bell, Mr. R. T. Dunlop, Mr. W. Davidson Hall, Vice-Presidents; Mr. Walter MacGregor and Mr. D. R. Matheson, M.A., LL.B., Edinburgh; Mr. William Houston, Mr. P. G. S. Ritchie, Mr. J. Cradock Walker and Mr. E. Hall Wight, Glasgow; Mr. J. T. Morrison, Coatbridge; Mr. D. M. Muir, Dunfermline; Mr. W. L. Pattullo, Dundee; Mr. W. J. Wood, Perth; Mr. E. Mortimer Brodie, Port Glasgow; and Mr. James Paterson, Secretary.

Apologies for absence were intimated from Mr. D. Hill Jack, J.P., and Mr. Alexander Davidson.

A number of membership matters were considered and variously dealt with. Reports were given as to the Students' Societies in Glasgow, Edinburgh and Aberdeen.

The resignation of Mr. John Baird (Glasgow) on account of advancing years and ill-health, was received with regret. Mr. Baird was one of the oldest members of the Scottish Institute of Accountants, and an active member of the Committee which arranged the agreement in 1899 between that Institute and the Society.

The Secretary reported a letter from Mr. W. Davidson Hall, F.S.A.A., Glasgow, enclosing a cheque for £4, being the fifth payment of that amount which he had promised as a fund to be used for prizes in connection with the Students' Society or otherwise, as the Council may think fit. Mr. Davidson Hall was cordially thanked for his gift, and the continued interest he took in the work of the Branch, and especially that of the Glasgow Students' Society.

Glasgow Students' Society.

The annual meeting of this Society was held in the Clyde Yacht Room, Regent Restaurant, West Regent Street, Glasgow, on Friday, October 13th. In the absence of Mr. W. Davidson Hall, F.S.A.A., who was on holiday, Mr. James Paterson, F.S.A.A., Secretary of the Scottish Branch, occupied the chair. There was a large attendance of members. The Hon. Secretary (Mr. Jas. A. Mowat) submitted the annual report and accounts. The Chairman referred to the unsatisfactory attendances at the lectures, which were specially prepared for candidates sitting the examinations, in contrast to the large attendances at the social functions. In this they were not alone, but he hoped that for the lectures which were being arranged for the ensuing year, better attendances would be reported.

The accounts showed the finances to be in a healthy state. The report was unanimously adopted.

The following were appointed office bearers for the ensuing year:—

Honorary Presidents: Mr. D. Hill Jack, F.S.A.A., Mr. R. T. Dunlop, F.S.A.A., and Mr. J. Stewart Seggie, F.S.A.A. President: Mr. W. Davidson Hall, F.S.A.A. Vice-Presidents: Mr. A. Palmer, A.S.A.A., and Mr. Jas. Paterson, F.S.A.A. Hon. Secretary and Treasurer: Mr. James A. Mowat, 29, Waterloo Street. Committee: Mr. E. H. Harris, A.S.A.A., Mr. T. Tinto, jun., A.S.A.A., Mr. J. C. McMurray, F.S.A.A., Mr. A. Shaw, A.S.A.A., Mr. R. Deans, Mr. J. Newman, Mr. T. Robertson, and Mr. J. M. Wainwright.

It was agreed to have a whist drive and dance on Saturday, December 9th.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, *e.g.* (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times* Newspaper; L.J., *Law Journal*; L.J.N., *Law Journal* Newspaper; L.T., *Law Times*; L.T.N., *Law Times* Newspaper; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Session Cases* (*Scotland*); S.L.T., *Scots Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace* (*England*); L.G.R., *Knight's Local Government Reports*; B.& C.R., *Bankruptcy and Company Cases*.

REVENUE

Assam Railways *v.* Inland Revenue Commissioners.

Dominion Income Tax.

The Court of Appeal held that relief from double taxation under sect. 27 of the Finance Act, 1920, in respect of Dominion income tax is to be granted only on the actual taxed income in the United Kingdom.

(C.A.; (1933) L.J.N., 136.)

Davis *v.* Superioress, Mater Misericordiae Hospital.

Private Nursing Home Carried on in Conjunction with Public Hospital.

The respondent was the superioress of a community which carried on a public hospital and also owned and controlled private nursing homes in connection therewith. All the receipts were pooled in one fund, out of which all expenses were drawn. The Special Commissioners held that the institutions were carried on as one undertaking; that no line of demarcation could be drawn for the purpose of separating the profitable from the non-profitable part of its activities, and that the superioress was not carrying on a trade in respect of the nursing homes.

The Supreme Court held that the Commissioners were wrong in their determination, and that the matter should be remitted to them to determine the assessment.

(S.C.; (1933) I.R., 503.)

Lambe *v.* Inland Revenue Commissioners.

Sur-tax.

The Finance Act, 1927, sect. 39 (2) provides that in estimating the total income of any person, any income which is chargeable with income tax by way of deduction at the standard rate in force for any year shall be deemed to be income of that year, and any deductions which are allowable on account of sums payable under deduction of income tax at the standard rate in force for any year out of the property or profits of that person shall be allowed as deductions in respect of that year, notwithstanding that the income or sums, as the case may be, accrued or will accrue in whole or in part before or after that year.

Finlay, (J.,) held that an assessment to sur-tax cannot be made in respect of income not actually received.

(K.B.; (1933) L.J.N., 242.)